

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Prepared by the
Finance Department
Bill Cole, Finance Director

**CITY OF LE MARS, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011
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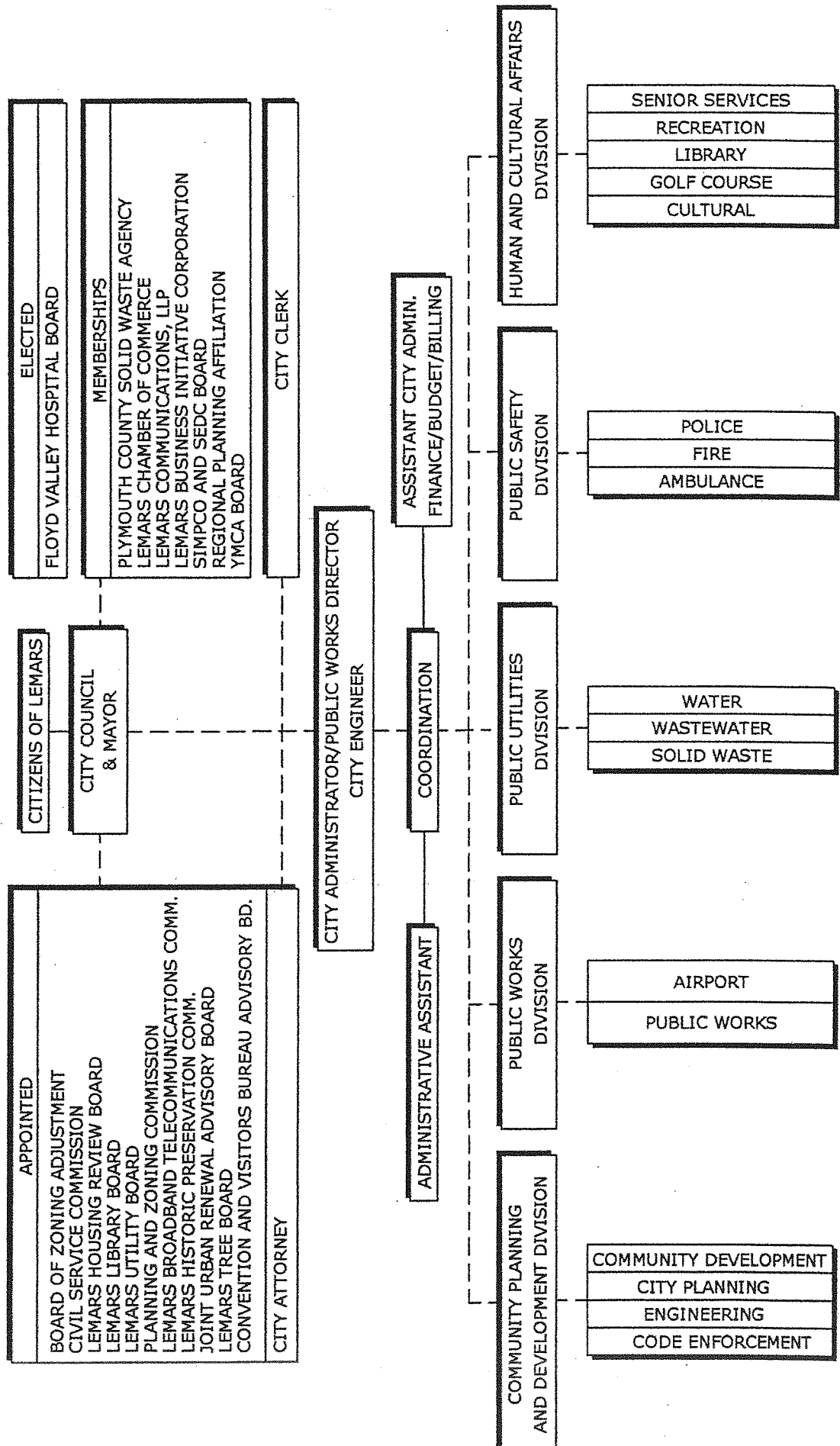
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APPENDIX B
CITY OF LEMARS, IOWA
ORGANIZATIONAL CHART



CITY OF LE MARS
List of Principal Officials
June 30, 2011

| Title | Name |
|--------------------------------------------------------------|-----------------|
| Mayor | Dick Kirchoff |
| Council Member and Mayor Pro-Tem | Rex Knapp |
| Council Member | John Leonard |
| Council Member | Delana Ihrke |
| Council Member | Kenneth Nelson |
| Council Member | John Rexwinkel |
| City Clerk/Treasurer | Beverly Langel |
| City Attorney | Joseph Flannery |
| City Administrator/Public Works Director/City Engineer | Scott Langel |
| Assistant City Administrator/Finance Director | Bill Cole |
| Code Enforcement Officer | Jason Vacura |
| Chief of Police | Stuart Dekkenga |
| Fire Chief | David Schipper |
| Wastewater Superintendent | Ron Kayser |
| Assistant Wastewater Superintendent | William Morgan |
| Water Superintendent | Gayle Sitzmann |
| Water Treatment Plant Operator | Jim Conley |
| Ambulance Director | Bill Rosacker |
| Golf Course Manager | Doug Schultz |
| Library Director | Susan Kroesche |
| Airport Manager | Earl Draayer |
| Public Works Superintendent | Steve Hansen |
| Assistant Public Works Superintendent | Brad Eppling |



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$27,255,453 as of June 30, 2011, and total program revenues of \$29,940,345 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retiree health plan, and budgetary comparison information on pages 5 through 14 and 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements, and supplementary statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
February 13, 2012

Management Discussion and Analysis

June 30, 2011

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2011. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2011, by \$49,064,066. Of this amount, \$3,341,034 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$3,164,836 during the year. Of this amount, the assets of our Governmental Activities increased \$1,938,164 and the assets of our Business Activities increased \$1,226,672.
- The largest factor in the increase in fund balance was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2011, that excess was \$96,592.

The City's General Obligation debt decreased by \$2,719,000 during fiscal year 2011, making the General Obligation debt \$9,353,000 at year end. This decrease is the result of the annual amortization of the City debt and the fact that City was able to retire additional General Obligation Debt early. The City Revenue Bond debt decreased by \$3,151,000 during fiscal year 2011, making the Revenue Bond debt \$9,360,000 at year end. This decrease is a result of the annual amortization of the debt and the fact that the City was able to retire additional Revenue debt early.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is

improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net assets for the years ended June 30, 2011 and 2010.

| | General Governmental Activities | | Business Type Activities | | Totals | |
|----------------------------------------------------|---------------------------------|---------------|--------------------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and Other Assets | \$ 12,072,629 | \$ 11,412,693 | \$ 4,526,396 | \$ 7,448,114 | \$16,599,025 | \$18,860,807 |
| Capital Assets | 29,644,889 | 29,529,937 | 31,695,830 | 32,494,782 | 61,340,719 | 62,024,719 |
| Total Assets | 41,717,518 | 40,942,630 | 36,222,226 | 39,942,896 | 77,939,744 | 80,885,526 |
| Long-Term Liabilities Outstanding | 9,277,537 | 10,192,065 | 10,804,871 | 15,720,372 | 20,082,408 | 25,912,437 |
| Other Liabilities | 8,605,202 | 8,853,950 | 188,068 | 219,909 | 8,793,270 | 9,073,859 |
| Total Liabilities | 17,882,739 | 19,046,015 | 10,992,939 | 15,940,281 | 28,875,678 | 34,986,296 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 22,510,760 | 21,898,509 | 21,090,799 | 18,552,613 | 43,601,559 | 40,451,122 |
| Restricted | 2,121,473 | 441,323 | | 46,664 | 2,121,473 | 487,987 |
| Unrestricted | (797,454) | (443,217) | 4,138,488 | 5,403,338 | 3,341,034 | 4,960,121 |
| Total Net Assets | \$ 23,834,779 | \$ 21,896,615 | \$ 25,229,287 | \$24,002,615 | \$49,064,066 | \$45,899,230 |

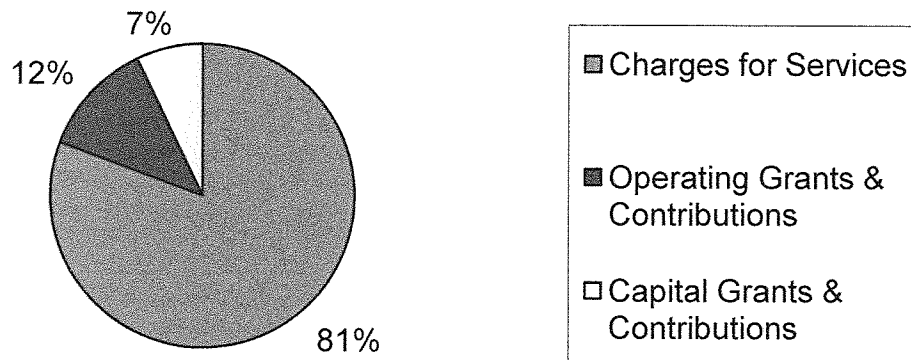
This summary reflects an increase of total net assets of 8.85% for the governmental activities and an increase of 5.11% in the business-type activities.

Total revenue reported in Fiscal 2011 was \$18,351,540. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2011 and 2010:

| Revenue Source | General Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------------|---------------------------------|--------------|--------------------------|--------------|---------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,262,777 | \$ 1,528,883 | \$5,588,566 | \$ 5,043,555 | \$ 6,851,343 | \$6,572,438 |
| Operating Grants and Contributions | 1,036,137 | 945,420 | - | - | 1,036,137 | 945,420 |
| Capital Grants and Contributions | 606,192 | 1,381,095 | - | - | 606,192 | 1,381,095 |
| Total Program Revenues | 2,905,106 | 3,855,398 | 5,588,566 | 5,043,555 | 8,493,672 | 8,898,953 |
| General Revenues & Interfund | | | | | | |
| Transfers: | | | | | | |
| Property Taxes | 8,514,709 | 8,119,355 | - | - | 8,514,709 | 8,119,355 |
| Local Option Sales Tax | 892,133 | 856,683 | - | - | 892,133 | 856,683 |
| Hotel/Motel Taxes | 109,228 | 107,983 | - | - | 109,228 | 107,983 |
| Interest | 50,682 | 54,481 | 15,435 | 17,838 | 66,117 | 72,319 |
| Revenue from Use of Property | 3,240 | - | - | - | 3,240 | - |
| Sale of Non-Capitalized Assets | 3,200 | 10,028 | - | 416 | 3,200 | 10,444 |
| Miscellaneous | 195,801 | 167,030 | 73,440 | 37,714 | 269,241 | 204,744 |
| Total General Revenues | 9,768,993 | 9,315,560 | 88,875 | 55,968 | 9,857,868 | 9,371,528 |
| Interfund Transfers | (1,098,114) | (1,452,417) | 1,098,114 | 1,452,417 | - | - |
| Total Revenues & Interfund Transfers | \$11,575,985 | \$11,718,541 | \$6,775,555 | \$6,551,940 | \$ 18,351,540 | \$18,270,481 |

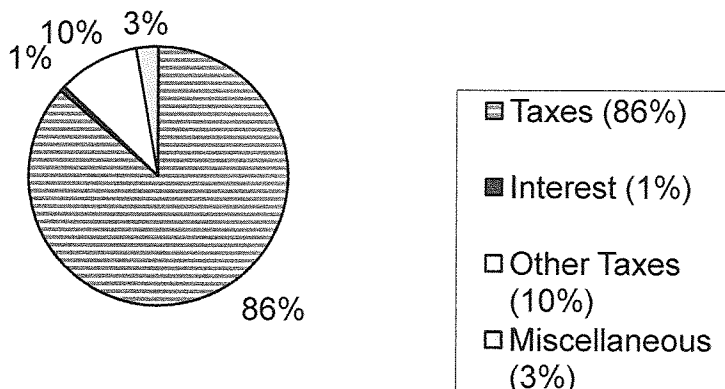
Program revenues totaled \$8,493,672 for fiscal year 2011. Governmental Activities provided \$2,905,106 and Business-Type Activities provided \$5,588,566. Revenue collected for Charges for Services during fiscal year 2011 was \$6,851,343, accounting for 81% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2011 totaled \$9,857,868. Governmental Activities provided \$9,768,993 and Business-Type Activities provided \$88,875. Property Tax Revenues for fiscal year 2011 totaled \$8,514,709, accounting for 86% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenses for fiscal year 2011 totaled \$15,186,704. Expenses for General Governmental Activities totaled \$9,637,821, accounting for 63% of total expenses. Business-Type Activity expenses totaled \$5,548,883, for 37% of the total.

The following table shows total expenses by Function/Program for fiscal years 2011 and 2010:

| Program Level | General Governmental Activities | | Business-Type Activities | | Totals | |
|------------------------------------|---------------------------------|-------------|--------------------------|-------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Public Safety | \$2,372,279 | \$1,966,712 | \$ - | \$ - | \$2,372,279 | \$1,966,712 |
| Public Works | 2,957,254 | 2,778,672 | - | - | 2,957,254 | 2,778,672 |
| Culture and Recreation | 1,678,953 | 1,573,152 | - | - | 1,678,953 | 1,573,152 |
| Community and Economic Development | 852,673 | 1,126,616 | - | - | 852,673 | 1,126,616 |
| General Government | 1,403,529 | 1,116,448 | - | - | 1,403,529 | 1,116,448 |
| Debt Service | 373,133 | 463,681 | - | - | 373,133 | 463,681 |
| Sewer System | - | - | 2,549,162 | 2,513,827 | 2,549,162 | 2,513,827 |
| Water System | - | - | 1,892,358 | 1,835,681 | 1,892,358 | 1,835,681 |
| Solid Waste | - | - | 622,518 | 547,378 | 622,518 | 547,378 |
| Golf Course | - | - | 454,579 | 452,865 | 454,579 | 452,865 |
| Storm | - | - | 30,266 | 26,665 | 30,266 | 26,665 |
| Total Expenditures | \$9,637,821 | \$9,025,281 | \$ 5,548,883 | \$5,376,416 | \$15,186,704 | \$14,401,697 |

The following table shows the activities included within each program level:

| Program Level | Activity |
|------------------------------------|------------------------------------------------------------------------------------|
| Public Safety | Individual & Community Protection, Physical Health |
| Public Works | Roadway Construction, Airport Operations, Street Lighting, Transportation Services |
| Culture and Recreation | Education & Culture, Leisure Time Opportunities |
| Community and Economic Development | Economic Development, Community Beautification, Planning & Zoning |
| General Government | Administration, Support Services |
| Debt Service | Payment of Interest and principal of outstanding debt |
| Capital Projects | Construction of Capital Facilities |
| Sewer System | Operation of the waste water treatment plant |
| Water System | Operation of the waste water treatment plant |
| Solid Waste | Operation of garbage collection and disposal |
| Golf Course | Operation of Golf Course |

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,372,279 and received \$682,914 in revenue, thus leaving a cost to the taxpayer of \$1,689,365 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

| | |
|------------------------|-----------------------------------------|
| Public Safety | Fines, Fees |
| Public Works | Road Use Tax, Rent |
| Culture and Recreation | Fees, State Aid, |
| General Government | Licenses, Permits |
| Capital Projects | Donations, State Grants, Federal Grants |

The total cost of governmental activities this year was \$9,637,821. Of these costs, \$1,262,777 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$1,642,329, leaving a Net Expense of \$6,732,715 for Governmental Activities. These expenses of \$6,732,715 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

| Functions/Programs | Net (Expense) Revenue | |
|----------------------------------------------------|--------------------------|---------------------|
| | 2011 | 2010 |
| Governmental Activities: | | |
| Public Safety | \$ (1,689,365) | \$ (1,434,791) |
| Public Works | (1,613,334) | (347,014) |
| Culture and Recreation | (978,360) | (864,064) |
| Community and Economic Development | (758,979) | (1,074,695) |
| General Government | (1,319,544) | (985,638) |
| Debt Service | (373,133) | (463,681) |
| Total Net (Expense) Governmental Activities | (6,732,715) | (5,169,883) |
| General Revenues | 9,768,993 | 9,315,560 |
| Excess of revenues over expenditures | 3,036,278 | 4,145,677 |
| Interfund Transfers | (1,098,114) | (1,452,417) |
| Prior Period Adjustment | - | (23,386) |
| Change in Net Assets | \$ 1,938,164 | \$ 2,669,874 |

Total resources available during the year to finance governmental operations were \$33,472,600, consisting of Net Assets at July 1, 2010 of \$21,896,615, Program Revenues of \$2,905,106, General Revenues of \$9,768,993, and interfund transfers of (\$1,098,114). Total Governmental Activities during the year expended \$9,637,821; thus, Net Assets were increased by \$1,938,164 to \$23,834,779 at June 30, 2011.

Business Type Activities

Business Type Activities increased the City's net assets by \$1,226,672.

The cost of all Proprietary Activities this year was \$5,548,883. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,588,566. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$0. This resulted in total Net Revenue for Business Type Activities of \$39,683. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

| Business-Type Activities | Net (Expense) Revenue | |
|-----------------------------------------|--------------------------|---------------------|
| | 2011 | 2010 |
| Sewer System | \$ 206,648 | \$ (180,874) |
| Water System | (250,179) | (219,375) |
| Solid Waste | (5,478) | 75,196 |
| Golf Course | (88,015) | (76,928) |
| Storm Sewer | 176,707 | 69,120 |
| Total Net Revenue (Expense) | | |
| Business Type Activities | 39,683 | (332,861) |
| General Revenues | 88,875 | 55,968 |
| Excess of revenues over expenses | 128,558 | (276,893) |
| Interfund Transfers | 1,098,114 | 1,452,417 |
| Change in Net Assets | <u>\$ 1,226,672</u> | <u>\$ 1,175,524</u> |

Total resources available during the year to finance Proprietary Fund activities were \$30,778,170, consisting of Net Assets at July 1, 2010 of \$24,002,615, Program Revenues of \$5,588,566, General Revenues of \$88,875 and interfund transfers of \$1,098,114. Total Proprietary Fund Activities during the year expended \$5,548,883; thus Net Assets were increased to \$25,229,287.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$3,020,471. The combined Governmental Funds fund balance increased \$1,635,352 from the prior year.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was \$124,962. The fund balance of \$2,225,855 represents 130 days of coverage.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

| Disbursements | Amended Budget | Actual (Cash Basis) | Variance Favorable (Unfavorable) |
|------------------------------------|-------------------|------------------------|----------------------------------------|
| Public Safety | \$ 2,352,668 | \$ 2,283,780 | \$ 68,888 |
| Public Works | 956,791 | 944,073 | 12,718 |
| Culture and Recreation | 1,719,651 | 1,629,740 | 89,911 |
| Community and Economic Development | 545,582 | 523,096 | 22,486 |
| General Government | 1,192,210 | 1,064,815 | 127,395 |
| Debt Service | 3,834,616 | 1,309,941 | 2,524,675 |
| Capital Projects | 3,725,860 | 3,585,147 | 140,713 |
| Business Type/Enterprise | 41,675,693 | 38,192,439 | 3,483,254 |
| Total | \$ 56,003,071 | \$ 49,533,031 | \$ 6,470,040 |

Budget results were all favorable in the current year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the debt service and business-type functions. The business-type variance was due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them. The variance related to debt service was timing differences for bond refunding between fiscal years 2010 and 2011.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2011, was \$43,601,559 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2011 are as follows:

| | General Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------|------------------------------------|-------------|-----------------------------|-------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$ 66,501 | \$ 34,350 | \$ - | \$ - | \$ 66,501 | \$ 34,350 |
| Infrastructure | 2,379,008 | 4,057,026 | - | - | 2,379,008 | 4,057,026 |
| Buildings | 79,413 | - | - | - | 79,413 | - |
| Improvements - | | | | | | |
| Other than Buildings | 8,311 | 138,599 | 606,407 | 928,397 | 614,718 | 1,066,996 |
| Equipment | 411,820 | 715,378 | 138,403 | 109,976 | 550,223 | 825,354 |
| Construction in Progress | 1,497,531 | 2,366,892 | 373,613 | 111,636 | 1,871,144 | 2,438,528 |
| Total Gross Additions | \$4,442,584 | \$7,312,245 | \$ 1,118,423 | \$1,150,009 | \$ 5,561,007 | \$ 8,462,254 |

Construction in Progress at June 30, 2011 for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2011 consisted of costs associated with the water main extension and storm sewer improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$18,733,000 of debt outstanding. This is a decrease of \$5,940,000 from the prior year. This decrease is the result of the normal annual debt amortization and the early retirement of debt during fiscal year 2011 (see Note 7).

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is \$33,504,060. With outstanding General Obligation Debt applicable to this limit of \$9,353,000 and Urban Renewal Debt applicable of \$480,000 we are utilizing 30% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

City of Le Mars' local economy continued to build momentum throughout fiscal year 2011 as a result of the numerous accomplishments achieved in fiscal year 2010 which are herein referenced from last year's Economic Factors of the Management Discussion and Analysis portion of the Audit.

A few of the larger business expansions are listed below:

Industrial:

- IML Containers of Iowa in Le Mars Industrial Park
- BoDeans Baking Company in Killeas Industrial Park
- North American Co-Pack in Plueger's Industrial Park

Commercial:

- ICON Ag along Key Avenue at South Interchange
- Le Mars Area Dialysis in Downtown
- Royal II Theater in Downtown
- Wells Enterprises Ice Cream Parlor in Downtown
- Le Mars Ford along Highway Commercial
- Four (4) New/Relocated Restaurants

Tax Supported:

- Plymouth County Courthouse Annex
- Le Mars Community High School Gymnasium
- City Snow Removal Equipment Storage Facility

Non-Profit:

- Le Mars Bible Church – Addition to Double Size
- St. Joseph's Catholic Church – New

Conservatively, there are twenty (20) additional small business expansions/renovations which occurred during fiscal year 2011.

Although new home starts continued during fiscal year 2011 at the similar pace as fiscal year 2010, residential additions, renovations and amenities increased dramatically.

The following projects had significant planning that started in fiscal year 2010 and concluded in fiscal year 2011:

- 1) Water Facility Plan & Rate Study
- 2) Wastewater Facility Plan & Rate Study
- 3) Community Survey of Need
- 4) Joint Land Use Plan (Surrounding Expressway)

Comprehensive Community Planning will be conducted throughout fiscal year 2012 and will be concluded in fiscal year 2013.

Le Mars has had significant growth across all major segments of the community. The additional burden placed on the City's infrastructure, public safety and municipal services are showing need for expansion. The proper planning is certainly the first step; however, the City will require various partnerships to help manage and coordinate this growth. The Public/Private partnerships through outsourcing have proven to be very beneficial and productive. County, State and Federal sources of financial assistance will continue to be vital to Le Mars' growth.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

CITY OF LE MARS, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Primary Government | | | Component Unit |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | | Floyd Valley |
| | Activities | Activities | Total | Hospital |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,959,585 | \$ 2,658,948 | \$ 4,618,533 | \$ 3,555,712 |
| Investments | 142,351 | - | 142,351 | - |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | | | |
| Accounts | 165,308 | 262,206 | 427,514 | 3,510,321 |
| Taxes | 57,457 | - | 57,457 | - |
| Subsequent Year Taxes | 8,123,549 | - | 8,123,549 | - |
| Accrued Interest | 1,808 | - | 1,808 | - |
| Other | 34 | - | 34 | 281,536 |
| Estimated Unbilled Usage | - | 329,235 | 329,235 | - |
| Special Assessments | 87,079 | - | 87,079 | - |
| Pledges Receivable | 390,105 | - | 390,105 | - |
| Notes Receivable | 1,210,757 | - | 1,210,757 | - |
| Internal Balances | (960,959) | 960,959 | - | - |
| Due from Other Governmental Agencies | 422,746 | - | 422,746 | - |
| Inventories | - | 126,475 | 126,475 | 406,435 |
| Land Held for Resale | 205,571 | - | 205,571 | - |
| Prepaid Assets | 54,024 | 23,489 | 77,513 | 214,563 |
| Other | - | - | - | 740,234 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | - | - | - | 2,910,283 |
| Investments | - | - | - | 4,448,240 |
| Accrued Interest Receivable | - | - | - | 5,137 |
| Bond Issue Costs | 100,195 | 165,084 | 265,279 | - |
| Investment in Joint Venture | 113,019 | - | 113,019 | - |
| Land | 1,331,342 | 1,308,313 | 2,639,655 | 185,160 |
| Construction in Progress | 710,557 | 208,434 | 918,991 | 9,273 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 27,602,990 | 30,179,083 | 57,782,073 | 10,988,559 |
| Total Assets | 41,717,518 | 36,222,226 | 77,939,744 | 27,255,453 |
| LIABILITIES | | | | |
| Accounts Payable | 253,375 | 84,954 | 338,329 | 2,101,090 |
| Accrued Wages | 98,594 | 36,168 | 134,762 | 1,064,017 |
| Accrued Interest | 21,141 | 25,843 | 46,984 | 38,793 |
| Accrued Expenses | 108,543 | 28,053 | 136,596 | 346,058 |
| Unearned Revenue | - | 13,050 | 13,050 | - |
| Deferred Revenue - Subsequent Year Taxes | 8,123,549 | - | 8,123,549 | - |
| Noncurrent Liabilities: | | | | |
| Due within one year: | | | | |
| Revenue Bonds Payable | 80,000 | 728,000 | 808,000 | 337,000 |
| General Obligation Bonds | 732,199 | 254,794 | 986,993 | - |
| Notes Payable | 20,000 | - | 20,000 | - |
| Capital Lease | 48,931 | 9,124 | 58,055 | - |
| Compensated Absences and Benefits | 154,223 | 33,336 | 187,559 | - |
| Due in more than one year: | | | | |
| Revenue Bonds Payable | 400,000 | 8,152,000 | 8,552,000 | 4,119,200 |
| General Obligation Bonds | 6,959,090 | 1,448,365 | 8,407,455 | - |
| Capital Lease | 216,909 | 45,907 | 262,816 | - |
| Compensated Absences and Benefits, Long-Term | 619,640 | 133,345 | 752,985 | - |
| Net OPEB Liability | 46,545 | - | 46,545 | - |
| Total Liabilities | 17,882,739 | 10,992,939 | 28,875,678 | 8,006,158 |
| NET ASSETS | | | | |
| Invested in Capital Assets, | | | | |
| Net of Related Debt | 22,510,760 | 21,090,799 | 43,601,559 | 6,726,792 |
| Restricted for: | | | | |
| Specific Revenues | 76,101 | - | 76,101 | - |
| Debt Service | 1,321,598 | - | 1,321,598 | 938,213 |
| TIF | 24,092 | - | 24,092 | - |
| Road Use Tax | 163,501 | - | 163,501 | - |
| Local Option Sales Tax | 372,716 | - | 372,716 | - |
| Endowments: | | | | |
| Expendable | 21,030 | - | 21,030 | - |
| Nonexpendable | 142,435 | - | 142,435 | - |
| Unrestricted | (797,454) | 4,138,488 | 3,341,034 | 11,584,290 |
| Total Net Assets | \$ 23,834,779 | \$ 25,229,287 | \$ 49,064,066 | \$ 19,249,295 |

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Public Safety | \$ 2,372,279 | \$ 503,888 | \$ 121,442 | \$ 57,584 |
| Public Works | 2,957,254 | 19,925 | 881,516 | 442,479 |
| Culture and Recreation | 1,678,953 | 649,054 | 33,179 | 18,360 |
| Community and Economic Development | 852,673 | 5,925 | - | 87,769 |
| General Government | 1,403,529 | 83,985 | - | - |
| Interest Expense | 373,133 | - | - | - |
| Total governmental activities | 9,637,821 | 1,262,777 | 1,036,137 | 606,192 |
| Business-Type Activities: | | | | |
| Golf Course | 454,579 | 366,564 | - | - |
| Water System | 1,892,358 | 1,642,179 | - | - |
| Sewer System | 2,549,162 | 2,755,810 | - | - |
| Solid Waste System | 622,518 | 617,040 | - | - |
| Storm Sewer System | 30,266 | 206,973 | - | - |
| Total Business-Type Activities: | 5,548,883 | 5,588,566 | - | - |
| Total Primary Government | 15,186,704 | 6,851,343 | 1,036,137 | 606,192 |
| Component Unit: | | | | |
| Floyd Valley Hospital | \$ 29,714,150 | \$ 29,843,643 | \$ 2,875 | \$ 93,827 |

General Revenues:
Property taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest
Use of Property
Gain on Sale of Assets
Refunds and Reimbursements
Miscellaneous
Sale of non-capitalized Assets
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning

Net assets - ending

| Net (Expense) Revenue and Changes in Net Assets | | | Component Unit Floyd Valley Hospital |
|----------------------------------------------------|-----------------------------|----------------------|--------------------------------------------|
| Governmental Activities | Business-Type Activities | Total | |
| \$ (1,689,365) | | \$ (1,689,365) | |
| (1,613,334) | | (1,613,334) | |
| (978,360) | | (978,360) | |
| (758,979) | | (758,979) | |
| (1,319,544) | | (1,319,544) | |
| (373,133) | | (373,133) | |
| <u>(6,732,715)</u> | | <u>(6,732,715)</u> | |
| | \$ (88,015) | (88,015) | |
| | (250,179) | (250,179) | |
| | 206,648 | 206,648 | |
| | (5,478) | (5,478) | |
| | <u>176,707</u> | <u>176,707</u> | |
| | <u>39,683</u> | <u>39,683</u> | |
| <u>(6,732,715)</u> | <u>39,683</u> | <u>(6,693,032)</u> | |
| | | | \$ 226,195 |
| 8,514,709 | - | 8,514,709 | - |
| 892,133 | - | 892,133 | - |
| 109,228 | - | 109,228 | - |
| 50,682 | 15,435 | 66,117 | 225,897 |
| 3,240 | - | 3,240 | - |
| 3,298 | - | 3,298 | - |
| 180,969 | 69,384 | 250,353 | - |
| 11,534 | 4,056 | 15,590 | - |
| 3,200 | - | 3,200 | - |
| <u>(1,098,114)</u> | <u>1,098,114</u> | <u>-</u> | <u>-</u> |
| <u>8,670,879</u> | <u>1,186,989</u> | <u>9,857,868</u> | <u>225,897</u> |
| 1,938,164 | 1,226,672 | 3,164,836 | 452,092 |
| 21,896,615 | 24,002,615 | 45,899,230 | 18,797,203 |
| <u>\$ 23,834,779</u> | <u>\$ 25,229,287</u> | <u>\$ 49,064,066</u> | <u>\$ 19,249,295</u> |

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2011

| | General | TIF | Debt Service | Community Betterment | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and Pooled Investments | \$ 32,305 | \$ - | \$ 1,337,027 | \$ - | \$ 585,474 | \$ 1,954,806 |
| Investments | - | - | - | - | 142,351 | 142,351 |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | | | | | |
| Accounts | 104,879 | - | - | - | 23,353 | 128,232 |
| Taxes | 18,796 | 29,460 | 6,040 | - | 3,161 | 57,457 |
| Subsequent Year Taxes | 3,306,551 | 3,736,123 | 509,355 | - | 571,520 | 8,123,549 |
| Accrued Interest | - | - | - | - | 1,808 | 1,808 |
| Other | 34 | - | - | - | - | 34 |
| Special Assessments | 78,000 | - | - | - | 9,079 | 87,079 |
| Pledges Receivable | - | - | - | 405,600 | - | 405,600 |
| Notes Receivable | 116,000 | - | - | - | 1,094,757 | 1,210,757 |
| Due from Other Funds | 1,900,000 | - | - | - | - | 1,900,000 |
| Due from Other Governmental Agencies | 49,582 | - | - | - | 373,164 | 422,746 |
| Land Held for Resale | 205,571 | - | - | - | - | 205,571 |
| Total Assets | 5,811,718 | 3,765,583 | 1,852,422 | 405,600 | 2,804,667 | 14,639,990 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | 78,058 | - | - | 2,894 | 172,423 | 253,375 |
| Accrued Wages | 98,594 | - | - | - | - | 98,594 |
| Due to Other Funds | - | - | - | 990,558 | 1,870,401 | 2,860,959 |
| Deferred Revenue | 99,912 | 5,368 | 328 | 11,000 | 163,686 | 280,294 |
| Deferred Revenue - Subsequent Year Taxes | 3,306,551 | 3,736,123 | 509,355 | - | 571,520 | 8,123,549 |
| Compensated Absences & Benefits | 2,748 | - | - | - | - | 2,748 |
| Total Liabilities | 3,585,863 | 3,741,491 | 509,683 | 1,004,452 | 2,778,030 | 11,619,519 |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Notes Receivable | 116,000 | - | - | - | 939,757 | 1,055,757 |
| Assets Held for Resale | 205,571 | - | - | - | - | 205,571 |
| Perpetual Care | - | - | - | - | 142,435 | 142,435 |
| Restricted for: | | | | | | |
| Debt Service | - | - | 1,342,739 | - | - | 1,342,739 |
| Road Surface Repairs | - | - | - | - | 163,501 | 163,501 |
| Employee Benefits | - | - | - | - | 29,900 | 29,900 |
| Low-Moderate Income Project | - | - | - | - | 61,094 | 61,094 |
| Law Enforcement | - | - | - | - | 7,752 | 7,752 |
| Local Option Sales Tax | - | - | - | - | 172,716 | 172,716 |
| Tree Farm | - | - | - | - | 21,030 | 21,030 |
| Assigned for: | | | | | | |
| Capital Improvement | - | 24,092 | - | - | - | 24,092 |
| Capital Improvement and Facilities | - | - | - | - | 351,701 | 351,701 |
| Unassigned | 1,904,284 | - | - | (598,852) | (1,863,249) | (557,817) |
| Total Fund Balances (Deficits) | 2,225,855 | 24,092 | 1,342,739 | (598,852) | 26,637 | 3,020,471 |
| Total Liabilities and Equity | \$ 5,811,718 | \$ 3,765,583 | \$ 1,852,422 | \$ 405,600 | \$ 2,804,667 | \$ 14,639,990 |

CITY OF LE MARS, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2011

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|-------------|
| Total Fund Balance - Governmental Funds (page 19) | \$ | 3,020,471 | |
| Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds | | | 29,644,889 |
| Investment in Joint Venture is not a financial resource and, therefore, not reported in the funds | | | 113,019 |
| The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net assets. | | | (113,233) |
| Deferred revenues that provide current financial resources for governmental activities. | | | 280,294 |
| Estimated uncollectible on pledges receivable extending beyond one year. | | | (15,495) |
| Accrued expenses from the balance sheet that require current financial resources for governmental activities. | | | (21,141) |
| Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources. | | | 100,195 |
| Bond issue premium reported in the governmental activities but are not reported in the funds as they do not provide current economic resources. | | | (8,289) |
| Prepaid expenses that are reported in the governmental activities but not reported in the funds as they do not provide current economic resources. | | | 54,024 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General Obligation Bonds | \$ | 7,683,000 | |
| Revenue Bonds | | 480,000 | |
| Notes Payable | | 20,000 | |
| Capital Lease | | 265,840 | |
| Compensated Absences | | 771,115 | (9,219,955) |
| | | | |
| Total Net Assets - Governmental Activities (page 15) | \$ | | 23,834,779 |

CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2011

| | General | TIF | Debt Service |
|---------------------------------------------------|--------------|--------------|-----------------|
| Revenue: | | | |
| Taxes | \$ 2,899,782 | \$ 3,626,267 | \$ 963,004 |
| Other City Taxes | 109,228 | - | - |
| Special Assessments | - | - | - |
| Licenses and Permits | 121,843 | - | - |
| Intergovernmental Revenue | 107,488 | - | - |
| Charges for Services | 838,091 | - | - |
| Fines and Forfeits | 35,267 | - | - |
| Contributions | 73,956 | - | - |
| Refunds/Reimbursements | 84,352 | - | - |
| Rental Income | 282,147 | - | - |
| Proceeds from Sale of Assets | - | - | - |
| Interest | 32,173 | 1,628 | 8,123 |
| Miscellaneous | 2,343 | - | - |
| Total Revenue | 4,586,670 | 3,627,895 | 971,127 |
| Expenditures: | | | |
| Public Safety | 2,107,488 | - | - |
| Public Works | 964,949 | - | - |
| Culture and Recreation | 1,603,840 | - | - |
| Community and Economic Development | 423,821 | 40,486 | - |
| General Government | 1,112,181 | - | - |
| Capital Outlay | 13,584 | - | - |
| Debt Service | - | - | 1,315,571 |
| Total Expenditures | 6,225,863 | 40,486 | 1,315,571 |
| Excess (deficiency) of revenues over expenditures | (1,639,193) | 3,587,409 | (344,444) |
| Other financing sources (uses): | | | |
| Issuance of Capital Lease | 97,699 | - | - |
| Proceeds from Sale of Assets | 13,322 | - | - |
| Transfers In | 1,692,134 | 521,722 | 1,253,346 |
| Transfers Out | (39,000) | (4,088,064) | - |
| Total other financing sources (uses) | 1,764,155 | (3,566,342) | 1,253,346 |
| Net Change in Fund Balance | 124,962 | 21,067 | 908,902 |
| Fund balances (deficits)-beginning of year | 2,100,893 | 3,025 | 433,837 |
| Fund balances (deficits)- end of year | \$ 2,225,855 | \$ 24,092 | \$ 1,342,739 |

| Community Betterment | Other Governmental Funds | Total Governmental Funds |
|-------------------------|--------------------------------|--------------------------------|
| \$ - | \$ 1,021,604 | \$ 8,510,657 |
| - | 890,204 | 999,432 |
| - | 102,711 | 102,711 |
| - | - | 121,843 |
| - | 1,365,837 | 1,473,325 |
| - | 1,680 | 839,771 |
| - | - | 35,267 |
| 340,250 | 1,100 | 415,306 |
| - | 121,616 | 205,968 |
| - | 3,240 | 285,387 |
| - | 519 | 519 |
| - | 8,397 | 50,321 |
| - | - | 2,343 |
| 340,250 | 3,516,908 | 13,042,850 |
| - | 175,315 | 2,282,803 |
| - | 229,658 | 1,194,607 |
| - | 4,950 | 1,608,790 |
| - | 231,275 | 695,582 |
| - | 2,795 | 1,114,976 |
| 40,823 | 2,497,204 | 2,551,611 |
| - | 70,000 | 1,385,571 |
| 40,823 | 3,211,197 | 10,833,940 |
| 299,427 | 305,711 | 2,208,910 |
| - | - | 97,699 |
| - | - | 13,322 |
| 115,000 | 1,802,445 | 5,384,647 |
| (240,000) | (1,702,162) | (6,069,226) |
| (125,000) | 100,283 | (573,558) |
| 174,427 | 405,994 | 1,635,352 |
| (773,279) | (379,357) | 1,385,119 |
| \$ (598,852) | \$ 26,637 | \$ 3,020,471 |

CITY OF LE MARS, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|------------------------------------------------------------------|--------------|
| Net change in fund balances - total governmental funds (page 22) | \$ 1,635,352 |
|------------------------------------------------------------------|--------------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

| | | |
|---------------------------------|--------------------|--------|
| Expenditures for capital assets | \$ 2,310,230 | |
| Depreciation expense | <u>(2,213,638)</u> | 96,592 |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Revenues from Long Term Pledge Receivables are deferred on the fund level statements until they are available to provide current financial resources, where on the government-wide statements there revenues were recorded in the year pledged. The net change in deferred pledge revenues and allowance for doubtful accounts was: | (262,735) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Investment in Joint Venture does not require current financial resources, therefore, is not reported in the funds. This is the change in the equity investment for the year: | (55,339) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|-----------------------------------------------------------------------------------------------|-----------|
| Revenues reported in the funds that are not available to provide current financial resources: | (113,059) |
|-----------------------------------------------------------------------------------------------|-----------|

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds: | 18,360 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

| | |
|----------------------------------------------------------------------------------------------------------------------------|---------|
| Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: | (2,079) |
|----------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|-----------------------------------------------------------------------------|-------|
| Accrued interest expense that does not require current financial resources: | 2,303 |
|-----------------------------------------------------------------------------|-------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was: | (40,202) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities: | (300,449) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| The effect of bond issuance costs is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities: | (11,879) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| The effect of bond premiums is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities: | 1,199 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Capital Leases are shown as providing current financial resources to the governmental funds. The statement of activities does not reflect the proceeds from the issuance of a capital lease. The proceeds from the issuance of a capital lease for the year was: | (97,699) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of New Assets. The principal paid on long-term debt during the current year was as follows:

| | | |
|---------------------------|---------------|------------------|
| Bonds payable | 950,815 | |
| Notes payable | 70,000 | |
| Lease obligations payable | <u>46,984</u> | <u>1,067,799</u> |

| | |
|-----------------------------------------------------------|---------------------|
| Change in net assets of governmental activities (page 17) | <u>\$ 1,938,164</u> |
|-----------------------------------------------------------|---------------------|

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2011

| | Business Type Activities | |
|-------------------------------------------------------------------------|---------------------------------|-----------------------------|
| | Water System | Sewer System |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 979,556 | \$ 1,388,914 |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | |
| Accounts | 47,014 | 178,672 |
| Estimated Unbilled Usage | 111,161 | 190,272 |
| Due from Other Funds | - | 960,959 |
| Inventories | 126,475 | - |
| Prepaid Assets | 14,093 | 7,830 |
| Total Current Assets | <u>1,278,299</u> | <u>2,726,647</u> |
| Noncurrent Assets: | | |
| Bond Issue Costs | 55,623 | 109,461 |
| Land | 174,357 | 843,418 |
| Construction in Progress | 57,947 | 117,725 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 12,010,906 | 14,527,163 |
| Total Noncurrent Assets | <u>12,298,833</u> | <u>15,597,767</u> |
| Total Assets | <u>13,577,132</u> | <u>18,324,414</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 13,101 | 30,137 |
| Accrued Wages | 15,977 | 20,191 |
| Accrued Revenue Bond Interest | 9,998 | 15,845 |
| Accrued Expenses | 28,053 | - |
| Unearned Revenue | - | - |
| Revenue Bonds Payable- Current | 357,000 | 371,000 |
| General Obligation Bonds- Current | - | 254,794 |
| Capital Lease- Current | - | - |
| Compensated Absences and Benefits | 21,087 | 12,249 |
| Total Current Liabilities | <u>445,216</u> | <u>704,216</u> |
| Noncurrent Liabilities: | | |
| Due in more than one year: | | |
| Revenue Bonds Payable | 3,709,000 | 4,443,000 |
| General Obligation Bonds | - | 1,448,365 |
| Capital Lease | - | - |
| Compensated Absences and Benefits | 84,348 | 48,997 |
| Net OPEB Liability | - | - |
| Total Noncurrent Liabilities | <u>3,793,348</u> | <u>5,940,362</u> |
| Total Liabilities | <u>4,238,564</u> | <u>6,644,578</u> |
| NET ASSETS | | |
| Invested in Capital Assets, | | |
| Net of Related Debt | 8,177,210 | 9,004,306 |
| Unrestricted | 1,161,358 | 2,675,530 |
| Total Net Assets | <u>\$ 9,338,568</u> | <u>\$ 11,679,836</u> |

| Business Type Activities | | Governmental |
|--------------------------|---------------|--------------|
| Nonmajor | | Activities |
| Enterprise | | Internal |
| Funds | Total | Service |
| \$ 290,478 | \$ 2,658,948 | \$ 4,779 |
| 36,520 | 262,206 | 37,076 |
| 27,802 | 329,235 | - |
| - | 960,959 | - |
| - | 126,475 | - |
| 1,566 | 23,489 | - |
| 356,366 | 4,361,312 | 41,855 |
| - | 165,084 | - |
| 290,538 | 1,308,313 | - |
| 32,762 | 208,434 | - |
| 3,641,014 | 30,179,083 | - |
| 3,964,314 | 31,860,914 | - |
| 4,320,680 | 36,222,226 | 41,855 |
| 41,716 | 84,954 | - |
| - | 36,168 | - |
| - | 25,843 | - |
| - | 28,053 | 108,543 |
| 13,050 | 13,050 | - |
| - | 728,000 | - |
| - | 254,794 | - |
| 9,124 | 9,124 | - |
| - | 33,336 | - |
| 63,890 | 1,213,322 | 108,543 |
| - | 8,152,000 | - |
| - | 1,448,365 | - |
| 45,907 | 45,907 | - |
| - | 133,345 | - |
| - | - | 46,545 |
| 45,907 | 9,779,617 | 46,545 |
| 109,797 | 10,992,939 | 155,088 |
| 3,909,283 | 21,090,799 | - |
| 301,600 | 4,138,488 | (113,233) |
| \$ 4,210,883 | \$ 25,229,287 | \$ (113,233) |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2011

| | Business Type Activities | |
|---------------------------------------------------------|---------------------------------|-------------------------|
| | Water System | Sewer System |
| Operating Revenues: | | |
| Charges for Services | \$ 1,590,531 | \$ 2,740,504 |
| Total Operating Revenue | <u>1,590,531</u> | <u>2,740,504</u> |
| Operating Expenses: | | |
| Employee Services | 567,333 | 713,935 |
| Contract Services | 59,407 | 300,691 |
| Supplies | 177,899 | 141,239 |
| Repairs and Improvements | 154,081 | 77,014 |
| Utilities | 139,527 | 153,481 |
| Miscellaneous | 16,913 | 10,771 |
| Depreciation | 614,794 | 830,270 |
| Amortization | 4,906 | 7,991 |
| Total Operating Expenses | <u>1,734,860</u> | <u>2,235,392</u> |
| Operating Income (Loss) | (144,329) | 505,112 |
| Non-Operating Income (Expense): | | |
| Interest Income | 5,300 | 10,135 |
| Refunds and Reimbursements | 19,140 | 44,913 |
| Revenue from Use of Property | 51,648 | 15,306 |
| Other Non-operating Income | 1,868 | 2,188 |
| Interest Expense | (157,498) | (313,770) |
| Total Non-Operating Income (Expenses) | <u>(79,542)</u> | <u>(241,228)</u> |
| Income (Loss) Before Transfers and Contributions | (223,871) | 263,884 |
| Contributed Capital Revenue | 210,227 | 144,027 |
| Transfers In | 487,864 | 821,349 |
| Transfers (Out) | <u>(192,684)</u> | <u>(192,684)</u> |
| Change in Net Assets | 281,536 | 1,036,576 |
| Net Assets - Beginning | <u>9,057,032</u> | <u>10,643,260</u> |
| Net Assets - Ending | <u>\$ 9,338,568</u> | <u>\$ 11,679,836</u> |

| Business Type Activities | | Governmental |
|--------------------------|---------------|--------------|
| Nonmajor | | Activities |
| Enterprise | | Internal |
| Funds | Total | Service |
| \$ 1,161,852 | \$ 5,492,887 | \$ 676,440 |
| 1,161,852 | 5,492,887 | 676,440 |
| - | 1,281,268 | - |
| 725,459 | 1,085,557 | - |
| 156,310 | 475,448 | - |
| 30,274 | 261,369 | - |
| 13,122 | 306,130 | - |
| 2,658 | 30,342 | 1,091,246 |
| 179,540 | 1,624,604 | - |
| - | 12,897 | - |
| 1,107,363 | 5,077,615 | 1,091,246 |
| 54,489 | 415,272 | (414,806) |
| - | 15,435 | 361 |
| 5,331 | 69,384 | 113,996 |
| 28,725 | 95,679 | - |
| - | 4,056 | - |
| - | (471,268) | - |
| 34,056 | (286,714) | 114,357 |
| 88,545 | 128,558 | (300,449) |
| 59,281 | 413,535 | - |
| 50,000 | 1,359,213 | - |
| (289,266) | (674,634) | - |
| (91,440) | 1,226,672 | (300,449) |
| 4,302,323 | 24,002,615 | 187,216 |
| \$ 4,210,883 | \$ 25,229,287 | \$ (113,233) |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2011

| | Business Type Activities | |
|----------------------------------------------------------------------|---------------------------------|-------------------------|
| | Water System | Sewer System |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Customers | \$ 1,594,550 | \$ 2,593,749 |
| Cash Paid to Suppliers for Goods and Services | (547,667) | (679,481) |
| Cash Paid to Employees for Services | (561,192) | (707,086) |
| Other Nonoperating Income | 72,656 | 62,407 |
| Net Cash Provided (Used) by Operating Activities | <u>558,347</u> | <u>1,269,589</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and Construction of Capital Assets | (151,865) | (175,983) |
| Principal Paid on Notes and Bonds | (1,652,000) | (1,600,521) |
| Interest Paid on Notes and Bonds | (161,561) | (324,742) |
| Net Cash (Used) for Capital and Related Financing Activities | <u>(1,965,426)</u> | <u>(2,101,246)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Transfers From (To) Other Funds | 295,180 | 628,665 |
| Due From (To) Other Funds | 1,162,859 | (960,959) |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>1,458,039</u> | <u>(332,294)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest and Dividends on Investments | 5,300 | 10,135 |
| Net Cash Provided from Investing Activities | <u>5,300</u> | <u>10,135</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 56,260 | (1,153,816) |
| Cash and Cash Equivalents at Beginning of Year | <u>923,296</u> | <u>2,542,730</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 979,556</u> | <u>\$ 1,388,914</u> |

| Business Type Activities | | Governmental |
|---------------------------------|--------------|-----------------------------------|
| Nonmajor Enterprise Funds | Total | Activities Internal Service |
| \$ 1,152,548 | \$ 5,340,847 | \$ 704,046 |
| (930,180) | (2,157,328) | (1,056,163) |
| - | (1,268,278) | - |
| 34,056 | 169,119 | 113,996 |
| 256,424 | 2,084,360 | (238,121) |
| (84,271) | (412,119) | - |
| - | (3,252,521) | - |
| - | (486,303) | - |
| (84,271) | (4,150,943) | - |
| (239,266) | 684,579 | - |
| - | 201,900 | - |
| (239,266) | 886,479 | - |
| - | 15,435 | 361 |
| - | 15,435 | 361 |
| (67,113) | (1,164,669) | (237,760) |
| 357,591 | 3,823,617 | 242,539 |
| \$ 290,478 | \$ 2,658,948 | \$ 4,779 |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2011

| | Business Type Activities | |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|
| | Water System | Sewer System |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | \$ (144,329) | \$ 505,112 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 614,794 | 830,270 |
| Amortization | 4,906 | 7,991 |
| Miscellaneous Non-Operating Income | 72,656 | 62,407 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | (2,082) | (140,090) |
| Estimated Unbilled Usage | 6,101 | (6,665) |
| Prepaid Expenses | (5,018) | 7,846 |
| Inventories | 15,844 | - |
| Unearned Reveue | - | - |
| Increase (Decrease) in Liabilities | | |
| Accounts Payable | (10,249) | (4,131) |
| Accrued Wages and Compensated Absences | 6,141 | 6,849 |
| Accrued Expenses | (417) | - |
| Total Adjustments | 702,676 | 764,477 |
| Net Cash Provided (Used) by Operating Activities | 558,347 | 1,269,589 |

Supplemental Schedule of Noncash Capital and Related Financing Activities:

| | | |
|---------------------|------------|------------|
| Contributed Capital | \$ 210,227 | \$ 144,027 |
|---------------------|------------|------------|

Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

| | | |
|---------------------------|-------------------|---------------------|
| Cash and Cash Equivalents | 979,556 | 1,388,914 |
| | <u>\$ 979,556</u> | <u>\$ 1,388,914</u> |

| Nonmajor Enterprise Funds | Total | Governmental |
|---------------------------------|--------------|-----------------------------------|
| | | Activities Internal Service |
| \$ 54,489 | \$ 415,272 | \$ (414,806) |
| 179,540 | 1,624,604 | - |
| - | 12,897 | - |
| 34,056 | 169,119 | 113,996 |
| (4,696) | (146,868) | 27,606 |
| (529) | (1,093) | - |
| 84 | 2,912 | - |
| - | 15,844 | - |
| (4,350) | (4,350) | - |
| (2,170) | (16,550) | - |
| - | 12,990 | - |
| - | (417) | 35,083 |
| 201,935 | 1,669,088 | 176,685 |
| 256,424 | 2,084,360 | (238,121) |
| \$ 59,281 | \$ 413,535 | \$ - |
| 290,478 | 2,658,948 | 4,779 |
| \$ 290,478 | \$ 2,658,948 | \$ 4,779 |

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2011

ASSETS

| | |
|-----------------------------|--------------|
| Cash and Pooled Investments | \$ 9,410 |
| Total Assets | 9,410 |

LIABILITIES

| | |
|--------------------------|--------------|
| Accounts Payable | 9,410 |
| Total Liabilities | 9,410 |

NET ASSETS

| | |
|-------------------------|-------------|
| Unrestricted | - |
| Total Net Assets | \$ - |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission and the Plymouth County Joint E911 Service Board.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund - The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Projects – The Community Betterment Fund is used to account for the projects related to improving the community, using revenues pledged by the community.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund that is used to account for the City's cafeteria plan.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

| <u>City</u> | <u>Type</u> | <u>Method</u> |
|---------------------------------------------------------|-------------|----------------------------------------------------------------------------------|
| Nonnegotiable Certificates of Deposit | | Cost |
| <u>Component Unit</u> | | |
| Certificates of Deposit | | Cost |
| U.S. Treasury Notes, State & Local Government Series | | Fair Value Determined Based on Quoted Market Price By Current Share Prices |
| Debt Securities | | |
| Negotiable Certificates of Deposit | | |
| Maturity of one year or less when purchased | | Amortized Cost |
| Maturity of more than one year when purchased | | Fair Value Based on Quoted Market Price |

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2010. Any county collections on the 2010-2011 tax levy remitted to the City within 60 days subsequent to June 30, 2011, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds have not been paid or received as of June 30, 2011, balances of interfund amounts payable or receivable have been recorded in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

| | |
|-----------------------|---------------|
| Buildings | 39 – 50 Years |
| Utility Plant | 20 – 33 Years |
| Machinery & Equipment | 3 - 20 Years |
| Infrastructure | 15 – 70 Years |

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2011, were entirely covered by Federal Depository Insurance or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances;

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2011, are shown below:

| | Primary Government | Component Unit | Agency Fund | Fair Value | Rating |
|------------------|-------------------------------|---------------------------|------------------------|-----------------------|---------------|
| Demand Deposits | \$ (147,320) | \$ 6,465,995 | \$ 9,410 | \$ 6,328,085 | N/A |
| Savings Deposits | 4,765,853 | - | - | 4,765,853 | N/A |
| Time Deposits | 142,351 | 4,448,240 | - | 4,590,591 | N/A |
| | <u>\$ 4,760,884</u> | <u>\$10,914,235</u> | <u>\$ 9,410</u> | <u>\$15,684,529</u> | |

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Custodial Credit Risk – The City has no policy regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Note 3 - RECEIVABLES

Receivables at June 30, 2011 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$31,542 and the governmental funds of the primary government had an allowance of \$27,850 at June 30, 2011. The component unit had an allowance for uncollectibles of \$2,832,871 at June 30, 2011.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2011, amounts due from other governments were as follows:

| | |
|-----------------------------------------------------------------------------|-------------------|
| Due from the Federal Aviation Administration | \$ 31,445 |
| Due from the Iowa Department of Transportation for road use tax allocations | 76,357 |
| Due from the Iowa Department of Transportation for construction projects | 84,032 |
| Due from the State of Iowa for local option sales taxes | 149,756 |
| Due from the State of Iowa for hotel and motel sales taxes | 38,681 |
| Due from the State of Iowa | 29,535 |
| Due from Plymouth County | 3,963 |
| Due from Le Mars Business Initiative Corporation | 8,977 |
| Total Due from Other Governments | <u>\$ 422,746</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2011, short-term interfund borrowings were as follows:

| | <u>Fund Due To</u> | <u>Fund Due From</u> | <u>Amount</u> |
|---------|--------------------|-----------------------------|---------------------|
| General | | Nonmajor Governmental Funds | \$ 909,442 |
| General | | Community Betterment | 990,558 |
| Sewer | | Nonmajor Governmental Funds | 960,959 |
| | | | <u>\$ 2,860,959</u> |

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

| | Balance July 1, 2010 | Additions | Deletions | Transfers | Balance June 30, 2011 |
|---------------------------------------------|-------------------------------------|---------------------|---------------------|------------------|--------------------------------------|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,264,841 | \$ 66,501 | \$ - | \$ - | \$ 1,331,342 |
| Construction in Progress | 1,327,020 | 1,497,531 | 2,113,994 | - | 710,557 |
| Total capital assets not being depreciated | <u>2,591,861</u> | <u>1,564,032</u> | <u>2,113,994</u> | <u>-</u> | <u>2,041,899</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 10,480,570 | 79,413 | - | - | 10,559,983 |
| Improvements | 4,154,902 | 8,311 | - | - | 4,163,213 |
| Equipment | 5,258,078 | 411,820 | 237,144 | - | 5,432,754 |
| Infrastructure | 31,294,503 | 2,379,008 | - | - | 33,673,511 |
| Total capital assets being depreciated | <u>51,188,053</u> | <u>2,878,552</u> | <u>237,144</u> | <u>-</u> | <u>53,829,461</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings | 5,131,504 | 405,568 | - | - | 5,537,072 |
| Improvements | 2,581,961 | 136,892 | - | - | 2,718,853 |
| Equipment | 4,240,272 | 356,912 | 237,144 | - | 4,360,040 |
| Infrastructure | 12,296,240 | 1,314,266 | - | - | 13,610,506 |
| Total Accumulated Depreciation | <u>24,249,977</u> | <u>2,213,638</u> | <u>237,144</u> | <u>-</u> | <u>26,226,471</u> |
| Total capital assets being depreciated, net | <u>26,938,076</u> | <u>664,914</u> | <u>-</u> | <u>-</u> | <u>27,602,990</u> |
| Governmental activities capital assets, net | <u>\$ 29,529,937</u> | <u>\$ 2,228,946</u> | <u>\$ 2,113,994</u> | <u>\$ -</u> | <u>\$ 29,644,889</u> |

Construction in progress at June 30, 2011, for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 6 - CAPITAL ASSETS – (Continued)

| | Balance July 1, 2010 | Additions | Deletions | Transfers | Balance June 30, 2011 |
|----------------------------------------------|----------------------------|--------------|------------|-----------|-----------------------------|
| Business-Type Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,308,313 | \$ - | \$ - | \$ - | \$ 1,308,313 |
| Construction in Progress | 127,592 | 373,613 | 292,771 | - | 208,434 |
| Total capital assets not being depreciated | 1,435,905 | 373,613 | 292,771 | - | 1,516,747 |
| Capital assets being depreciated: | | | | | |
| Buildings | 1,549,607 | - | - | - | 1,549,607 |
| Improvements | 2,793,125 | 606,407 | - | - | 3,399,532 |
| Equipment | 803,196 | 138,403 | 37,954 | - | 903,645 |
| Utility Plant | 42,430,587 | - | - | - | 42,430,587 |
| Total capital assets being depreciated | 47,576,515 | 744,810 | 37,954 | - | 48,283,371 |
| Less: Accumulated Depreciation | 16,517,638 | 1,624,604 | 37,954 | - | 18,104,288 |
| Total capital assets being depreciated, net | 31,058,877 | (879,794) | - | - | 30,179,083 |
| Business-type activities capital assets, net | \$32,494,782 | \$ (506,181) | \$ 292,771 | \$ - | \$31,695,830 |

Construction in progress at June 30, 2011 consisted of costs associated with water main extensions and storm sewer improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

| | |
|------------------------------------|------------|
| Public Safety | \$ 180,022 |
| Public Works | 1,597,722 |
| Culture and Recreation | 162,391 |
| Community and Economic Development | 232,545 |
| General Government | 40,958 |

Total depreciation expense – governmental activities \$ 2,213,638

Business-Type Activities:

| | |
|-------------|------------|
| Water | \$ 614,794 |
| Sewer | 830,270 |
| Golf Course | 121,111 |
| Storm Sewer | 30,266 |
| Solid Waste | 28,163 |

Total depreciation expense – business-type activities \$ 1,624,604

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

| | Balance July 1, 2010 | Additions | Deletions | Transfers | Balance June 30, 2011 |
|---------------------------------------------|----------------------------|--------------|-----------|-----------|-----------------------------|
| Component Unit: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 185,160 | \$ - | \$ - | \$ - | \$ 185,160 |
| Construction in Progress | 85,225 | 452,549 | - | (528,501) | 9,273 |
| Total capital assets not being depreciated | 270,385 | 452,549 | - | (528,501) | 194,433 |
| Capital assets being depreciated: | | | | | |
| Land Improvements | 868,608 | - | - | 4,911 | 873,519 |
| Buildings and Fixed Equipment | 18,078,320 | 99,874 | - | 12,600 | 18,190,794 |
| Major Movable Equipment | 6,693,542 | 69,564 | 186,416 | 510,990 | 7,087,680 |
| Intangible – Medical Records | 252,633 | - | - | - | 252,633 |
| Land and Buildings Leased to Others | - | - | - | - | - |
| Total capital assets being depreciated | 25,893,103 | 169,438 | 186,416 | 528,501 | 26,404,626 |
| Less: Accumulated Depreciation | 14,260,054 | 1,339,301 | 183,288 | - | 15,416,067 |
| Total capital assets being depreciated, net | 11,633,049 | (1,169,863) | 3,128 | 528,501 | 10,988,559 |
| Component unit capital assets, net | \$ 11,903,434 | \$ (717,314) | \$ 3,128 | \$ - | \$ 11,182,992 |

Construction in progress at June 30, 2011, consisted of renovations to the Hospital.

Reconciliation of Investment in Capital Assets:

| | Governmental Activities | Business-Type Activities | Component Unit |
|---------------------------------------------------|----------------------------|-----------------------------|-------------------|
| Land | \$ 1,331,342 | \$ 1,308,313 | \$ 185,160 |
| Construction in Progress | 710,557 | 208,434 | 9,273 |
| Capital Assets (net of accumulated depreciation) | 27,602,990 | 30,179,084 | 10,988,559 |
| Less: General Obligation Bonds Payable | 6,368,289 | 1,670,000 | - |
| Notes Payable | 20,000 | - | - |
| Revenue Bonds | 480,000 | 8,880,000 | 4,456,200 |
| Capital Lease | 265,840 | 55,032 | - |
| Investment in Capital Assets, Net of Related Debt | \$ 22,510,760 | \$ 21,090,799 | \$ 6,726,792 |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding (net of unamortized premiums) as of June 30, 2011 are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Amounts</u> |
|---------------------------------------------------------------|-----------------------|----------------------|---------------------|
| Governmental Activities – 2010 Refunding | 2.75-3.125% | June 1, 2018 | \$ 425,000 |
| Governmental Activities-2006 Refunding & Corporate Purpose | 3.7-4.35% | June 1, 2021 | 5,935,000 |
| SRF General Obligation Bonds, 2007 | 3.0% | June 1, 2027 | 1,323,000 |
| Business-Type Activities – 2010 Refunding | 2.75-3.125% | June 1, 2018 | 1,670,000 |
| | | | <u>\$ 9,353,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-------------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ 731,000 | \$ 301,690 | \$ 250,000 | \$ 49,494 |
| 2013 | 758,000 | 271,863 | 255,000 | 41,994 |
| 2014 | 785,000 | 240,955 | 255,000 | 34,344 |
| 2015 | 807,000 | 208,900 | 270,000 | 26,694 |
| 2016 | 849,000 | 178,190 | 280,000 | 18,594 |
| 2017-2021 | 3,184,000 | 458,445 | 360,000 | 13,237 |
| 2022-2026 | 467,000 | 58,140 | - | - |
| 2027-2031 | 102,000 | 3,060 | - | - |
| Total | <u>\$ 7,683,000</u> | <u>\$ 1,721,243</u> | <u>\$ 1,670,000</u> | <u>\$ 184,357</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure improvements related to the Two Rivers Center Project. The bonds will be paid through the collection of TIF revenues over the next 10 years at an interest rate ranging from 4.15 to 4.75%.

The 2004 series sewer revenue bonds, have a total par of \$7,900,000, all of which has been drawn.

The total par of the 2003 series water revenue bonds is \$6,300,000, and all funds available in this series of bonds have now been drawn. As shown below the interest rate on these bonds is 3.0%.

The total par of the 2005 series water revenue bonds is \$600,000. All funds available in this series have been drawn.

Revenue bonds outstanding at June 30, 2011 are as follows:

Primary Government

| Purpose | Interest Rates | Maturity Date | Amounts |
|--------------------------------------------------------------|-----------------------|-----------------------------|---------------------|
| Business-type Activities-Sewer SRF | 3.0% | June 1, 2024 | \$ 4,814,000 |
| Business-type Activities -Water SRF | 3.0-3.53% | June 1, 2020 – June 1, 2025 | 4,066,000 |
| Governmental Activities-Urban Renewal Tax Increment Bonds | 4.15-4.75% | June 1, 2017 | 480,000 |
| | | | <u>\$ 9,360,000</u> |

Revenue Bonds

Annual revenue bond debt service requirement to maturity are as follows:

| Year Ending June 30, | <u>Business-Type Activities</u> | | <u>Governmental Activities</u> | |
|-------------------------------------|----------------------------------------|---------------------|---------------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 728,000 | \$ 266,400 | \$ 80,000 | \$ 21,595 |
| 2013 | 752,000 | 244,560 | 85,000 | 18,155 |
| 2014 | 777,000 | 222,000 | 90,000 | 14,458 |
| 2015 | 802,000 | 198,690 | 95,000 | 10,498 |
| 2016 | 828,000 | 174,630 | 95,000 | 6,128 |
| 2017-2021 | 4,482,000 | 483,870 | 35,000 | 1,661 |
| 2022-2026 | 511,000 | 15,330 | - | - |
| Total | <u>\$ 8,880,000</u> | <u>\$ 1,605,480</u> | <u>\$ 480,000</u> | <u>\$ 72,495</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT (Continued)

Advance and Current Refundings

In May 2002, the City issued \$195,000 in General Obligation Capital Loan Notes with an average interest rate of 4.1% to refund the 1993 General Obligation Capital Loan Notes with an average interest rate of 5.2%. This obligation was paid in full during fiscal year 2011.

In June 2006, the City issued \$7,300,000 of GO Corporate Purpose and Refunding Bonds, of which \$665,000 was used in a refunding of the 1998 series GO Corporate Purpose Notes. The 2006 series bonds carry an average interest rate of 4.07% and the 1998 series an average interest rate of 4.77%. This results in an economic gain of \$9,467 and a reduction in debt service payments of \$10,627 over the next five years.

In June 2010, the City issued \$2,095,000 of General Obligation Bonds, which is a crossover advance refunding of the 2002 and 2003 corporate purpose general obligation bonds. The 2002 and 2003 corporate purpose general obligation bonds were paid off in full during fiscal year 2011. The 2010 bonds carry an average interest rate of 2.94% and the 2002 and 2003 bonds refunded had an average interest rate of 4.18% and 3.35%. As a result the City will reduce its debt service payments over the next eight years by \$87,054, and obtain an economic gain of \$81,783.

Component Unit

| Purpose | Interest Rates | Amounts |
|-------------------------|-----------------------|---------------------|
| Hospital/Component Unit | 3.0-5.45% | \$ 975,100 |
| Hospital/Component Unit | 2.5-5.9% | 3,229,100 |
| Hospital/Component Unit | 0% | 252,000 |
| | | <u>\$ 4,456,200</u> |

These notes are reported net of unaccreted discount of \$85,800.

Scheduled principal and interest repayments on revenue notes are as follows:

| Year Ending June 30, | <u>Rural Economic Development Loan</u> | | <u>Revenue Notes Payable</u> | |
|-------------------------------------|---------------------------------------------------|-----------------|-------------------------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 72,000 | \$ - | \$ 265,000 | \$ 226,365 |
| 2013 | 72,000 | - | 285,000 | 212,928 |
| 2014 | 72,000 | - | 295,000 | 198,337 |
| 2015 | 36,000 | - | 305,000 | 183,183 |
| 2016 | - | - | 325,000 | 166,883 |
| 2017-2021 | - | - | 1,900,000 | 544,120 |
| 2022-2023 | - | - | 915,000 | 54,500 |
| | <u>\$ 252,000</u> | <u>\$ -</u> | <u>\$ 4,290,000</u> | <u>\$1,586,316</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT (Continued)

Notes Payable

In August 2005, the City agreed to pay Southern Sioux County Rural Water System \$300,000 in consideration for water service territory rights in areas west and north of Le Mars. These payments will be made annually in installments of \$50,000 beginning in October 2006. There was no interest paid since payments were made by the applicable due dates. This note was paid in full during fiscal year 2011.

In May 2008, the City agreed to pay the Iowa Department of Transportation \$80,000 for purchase of property. A down payment of \$1,000 was paid prior to May 1, 2008. A \$19,000 installment was paid on May 1, 2009 and \$20,000 installments were due thereafter. There will be no interest paid if the payments are made by the applicable due date.

Notes Payable debt service requirements to maturity are as follows:

| Year Ending June 30, | Governmental Activities | |
|-------------------------------------|--------------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ 20,000 | \$ - |
| Total | \$ 20,000 | \$ - |

Capital Leases

In fiscal year 2010, the City entered into capital lease agreements for the acquisition of a backhoe, motor grader, and fairway mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2011, the City entered into capital lease agreement for the acquisition of a wheel loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | Governmental Activities | Business-Type Activities |
|-------------------------------|------------------------------------|-------------------------------------|
| Asset: | | |
| Equipment | \$ 312,824 | \$ 55,031 |
| Less Accumulated Depreciation | 105,590 | 22,012 |
| Total | \$ 207,234 | \$ 33,019 |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT (Continued)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2011.

| Year Ending June 30, | Governmental Activities | | | Business-Type Activities | | |
|-----------------------------------------|-------------------------|-----------|------------------|--------------------------|------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2012 | \$ 48,931 | \$ 11,061 | \$ 59,992 | \$ 9,124 | \$ 3,296 | \$ 12,420 |
| 2013 | 50,961 | 9,030 | 59,991 | 9,671 | 2,750 | 12,421 |
| 2014 | 53,079 | 6,914 | 59,993 | 10,250 | 2,171 | 12,421 |
| 2015 | 55,288 | 4,705 | 59,993 | 10,864 | 1,557 | 12,421 |
| 2016 | \$ 57,580 | \$ 2,413 | \$ 59,994 | \$ 15,122 | \$ (2,702) | \$ 12,420 |
| Minimum Lease Payments | | | 299,963 | | | 62,103 |
| Less: Amount Representing Interest | | | (34,123) | | | (7,072) |
| Present Value of Minimum Lease Payments | | | <u>\$265,840</u> | | | <u>\$ 55,031</u> |

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|------------------|---------------------|---------------------|------------------------|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Notes Payable | \$ 90,000 | \$ - | \$ 70,000 | \$ 20,000 | \$ 20,000 |
| Bonds Payable: | | | | | |
| General Obligation | 8,568,815 | - | 885,815 | 7,683,000 | 731,000 |
| Unaccreted Bond Premium | 9,488 | - | 1,199 | 8,289 | 1,199 |
| Revenue Bonds | 545,000 | - | 65,000 | 480,000 | 80,000 |
| Other Post Employment Benefits | 31,030 | 15,515 | - | 46,545 | - |
| Capital Lease | 215,125 | 97,699 | 46,984 | 265,840 | 48,931 |
| Compensated Absences | 732,607 | 41,256 | - | 773,863 | 154,223 |
| Governmental Activity | | | | | |
| Long-Term Liabilities | <u>10,192,065</u> | <u>154,470</u> | <u>1,068,998</u> | <u>9,277,537</u> | <u>1,035,353</u> |
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| General Obligation | 3,503,185 | - | 1,833,185 | 1,670,000 | 250,000 |
| Unaccreted Bond Premium | 37,953 | - | 4,794 | 33,159 | 4,794 |
| Revenue Bonds | 11,966,000 | - | 3,086,000 | 8,880,000 | 728,000 |
| Capital Lease | 55,031 | - | - | 55,031 | 9,124 |
| Compensated Absences | 158,203 | 42,023 | 33,545 | 166,681 | 33,336 |
| Business-Type Activity | | | | | |
| Long-Term Liabilities | <u>\$15,720,372</u> | <u>\$ 42,023</u> | <u>\$ 4,957,524</u> | <u>\$10,804,871</u> | <u>\$1,025,254</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 7 - LONG-TERM DEBT (Continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-------------|-------------------|--------------------|------------------------|
| Component Unit: | | | | | |
| Bonds Payable: | | | | | |
| Revenue Bonds | \$ 4,545,000 | \$ - | \$ 255,000 | \$4,290,000 | \$ 265,000 |
| Rural Economic Development Note | 324,000 | - | 72,000 | 252,000 | 72,000 |
| Less Deferred Amounts: | | | | | |
| Of Bond Discount | 90,900 | - | 5,100 | 85,800 | 5,800 |
| Total Bonds Payable | <u>\$ 4,454,100</u> | <u>\$ -</u> | <u>\$ 321,900</u> | <u>\$4,456,200</u> | <u>\$ 331,200</u> |

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

| | General | Community Betterment | TIF | Nonmajor Governmental | Sewer | Water | Nonmajor Enterprise | Total Transfer In |
|--------------------------|-----------------|-------------------------|--------------------|--------------------------|-------------------|-------------------|------------------------|-------------------------|
| General | \$ - | \$ - | \$ 500,000 | \$ 707,500 | \$ 192,684 | \$ 192,684 | \$ 99,266 | \$1,692,134 |
| Community Betterment | - | - | - | 115,000 | - | - | - | 115,000 |
| Debt Service | - | 240,000 | 922,968 | 90,378 | - | - | - | 1,253,346 |
| TIF | - | - | - | 521,722 | - | - | - | 521,722 |
| Nonmajor Governmental | 39,000 | - | 1,355,883 | 217,562 | - | - | 190,000 | 1,802,445 |
| Sewer | - | - | 821,349 | - | - | - | - | 821,349 |
| Water | - | - | 487,864 | - | - | - | - | 487,864 |
| Nonmajor Enterprise | - | - | - | 50,000 | - | - | - | 50,000 |
| Transfer Out | <u>\$39,000</u> | <u>\$ 240,000</u> | <u>\$4,088,064</u> | <u>\$ 1,702,162</u> | <u>\$ 192,684</u> | <u>\$ 192,684</u> | <u>\$ 289,266</u> | <u>\$6,743,860</u> |

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll except for, fire employees, in which case, the percentages are 6.64% and 9.95%, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$185,759, \$167,039 and \$160,331, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's FY 2011 contribution rate cannot be less than 19.90% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2011, 2010 and 2009 were \$172,727, \$144,030 and \$153,451, respectively, which met the required minimum contribution for each year.

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description. The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 53 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Avera Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

| | |
|--------------------------------------------|------------------|
| Annual required contribution | \$ 27,226 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | 27,226 |
| Contributions made | (11,711) |
| Increase in net OPEB obligation | 15,515 |
| Net OPEB obligation beginning of year | 31,030 |
| Net OPEB obligation end of year | <u>\$ 46,545</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2011, the City contributed \$1,042,537 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--------------------------------------------|---------------------|
| June 30, 2009 | \$ 27,226 | 43% | \$ 15,515 |
| June 30, 2010 | \$ 27,226 | 43% | \$ 31,030 |
| June 30, 2011 | \$ 27,226 | 43% | \$ 46,545 |

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$234,941, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$234,941. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,770,000 and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2011, there were no trust fund assets.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% and 0% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$9,999 and \$10,744 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11- MAJOR CUSTOMER

During the year ended June 30, 2011, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$1,244,144 and to Dean's Food's, Inc. was \$578,915. This represents 45% and 21%, respectively, of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$418,358 which represents 26% of total water charges for services.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 12 - DEFICIT FUND EQUITY

The City has eight funds with deficit equity balances at June 30, 2011. The City intends to finance these deficits from various resources including; general funds, special assessments, future TIF collections, and capital project debt financing.

The individual fund deficits were as follows:

| | |
|-------------------------------------------------|------------|
| Special Revenue – Westmar University TIF | \$ 505,384 |
| Capital Project – Community Betterment | 598,852 |
| Capital Project – Industrial Park..... | 45,458 |
| Capital Project – Storm Sewer Drainage Imp..... | 225,645 |
| Capital Project – STP FHWA Projects | 398,062 |
| Capital Project – Business Park | 135,628 |
| Capital Project – TIF Capital Projects | 8,003 |
| Capital Project – Street Construction | 44,177 |

Note 13- RISK MANAGEMENT

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Based on prior year claims, the City was required to cover costs up to \$150,000 for one of its covered employees during the 2011 fiscal year. This was the only year where settled claims exceeded commercial insurance coverage in any of the past three fiscal years. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years, except as noted above.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

| | 2010 | 2011 |
|-----------------------------------------|------------------|-------------------|
| Unpaid claims, beginning of fiscal year | \$ 86,535 | \$ 88,975 |
| Incurred claims (including IBNR's) | 595,606 | 893,189 |
| Claim payments | (593,166) | (873,621) |
| Unpaid claims, end of fiscal year | <u>\$ 88,975</u> | <u>\$ 108,543</u> |

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 13- RISK MANAGEMENT- (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$87,416.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the City's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 13- RISK MANAGEMENT – (Continued)

made for the one- year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

Note 14- COMMITMENTS

During the year ended June 30, 2011, the City had entered into several construction contracts totaling approximately \$2,244,597 of which approximately \$1,520,168 has been expended to date. The remaining balance of \$724,429 will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2011, the City has made payments totaling \$1,309,801.

Note 15 - JOINT VENTURE

The City of Le Mars has joined with Northwest Rural Electric Cooperative and Long Lines, Ltd. to form Le Mars Communications, LLP, which will provide high-tech telecommunications services to commercial and residential customers in the City of Le Mars and the area immediately surrounding Le Mars. Le Mars Communications, LLP will be establishing a telecommunications system that will initially provide telephone, internet, and high-speed data transmission service to customers in the community. The City owns a 33 percent share of the venture. Summary financial information of the joint venture for the year ended December 31, 2010 follows:

| | Total |
|-----------------------------|-----------------------|
| Assets | <u>\$ 365,366</u> |
| Liabilities | 35,060 |
| Equity | <u>330,306</u> |
| | <u>365,366</u> |
| Revenues..... | 243,741 |
| Expenses | 335,676 |
| Net Decrease in Equity..... | <u>\$ (91,935)</u> |

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 15 - JOINT VENTURE (Continued)

Separately issued financial statements for Le Mars Communications can be obtained from their offices. The joint venture is recorded on the equity method in the governmental activities.

City's Share of Joint Venture at June 30, 2011:

| | |
|------------------|-----|
| Assets..... | 33% |
| Equity | 33% |
| Liabilities..... | 33% |

Note 16 - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, Industrial Development Revenue Bonds outstanding had an original issue amount of \$1,850,000 and were paid off May 2, 2011.

Note 17 - NOTES RECEIVABLE

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2011 is \$206,800.

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Dairy Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition, the City has incurred \$188,577 of expenditures related to the clean up and restoration of the Crescent Ridge Property. The City will be reimbursed for these costs as funds are available from the sale of the property before the full amounts of the original contributions are repaid to the City and County. The City received \$180,619 from the sale of property in Crescent Ridge Development during fiscal year 2011.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2011

Note 17 - NOTES RECEIVABLE (Continued)

In May 2009, the City loaned the LBIC \$10,000 which was passed along to BoDean's as an economic development loan. The loan is a 5 year 0% loan with the payments of \$2,000 due annually beginning one year from the date of the note. At June 30, 2011, this loan had a remaining balance of \$6,000.

On September 1, 2009, the City agreed to provide a \$200,000, no interest, unsecured loan, to aid the Le Mars Area Dialysis Organization in construction of their new dialysis facility. None of these funds were drawn until fiscal year 2011. At June 30, 2011, all the funds had been advanced by the City on this loan and no payments had been received by the City.

In September 2010, the City completed construction of a parking lot for a health care facility leased by Weinberg Investments, Inc. Total construction costs were \$155,000, of which the City will be reimbursed by Weinberg Investments, Inc., this note accrues interest at a rate of 3.5% per year. Interest only payments started March 1, 2011 and will continue until March 1, 2014. A balloon payment of all principal and accrued interest remaining on the promissory note is scheduled to be paid March 1, 2015.

During fiscal year 2011 the City distributed \$125,000 in the form of a forgivable loan to Royal Theatres, LLC. There will be no principal or interest payments required, provided Royal Theatres, LLC remains in business as a movie theater. For each year that passes \$25,000 will be forgiven provided Royal Theatres, LLC continues to operate as a movie theater thus after 5 years the entire loan would be forgiven. As of June 30, 2011 Royal Theatres, LLC is in compliance with loan requirements.

Note 18- PLEDGES RECEIVABLE

The City received pledges from individuals and businesses to finance several community betterment projects. The pledges are to be paid over a ten-year period. The receivable at June 30, 2011 is recorded net of an allowance for uncollectible amounts of \$43,345 in the government-wide financial statements. In the fund level statements, the receivable, net of allowance for uncollectible amounts of \$27,850, is recorded in the Community Betterment Fund with a deferred revenue for the proceeds to be received after one year.

Note 19 - SUBSEQUENT EVENTS

On October 4, 2011 the City approved the issuance of \$4,950,000 Series 2011, GO Refunding Bonds, which will be used to refund the Series 2006B GO Bonds.

On December 6, 2011 the City Council approved selling its interest in Le Mars Communications, LLP, which is a Chapter 28E arrangement the City participated in which is shown on the City financial statements as an "Investment in Joint Venture".

CITY OF LE MARS, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

| | Governmental Fund Type Actual | Proprietary Funds Actual |
|------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------|
| Receipts: | | |
| Taxes | \$ 4,187,754 | \$ - |
| Tax Increment Financing | 4,430,261 | - |
| Other Tax | 852,445 | - |
| Licenses and Permits | 119,235 | - |
| Use of Money and Property | 306,799 | 108,965 |
| Intergovernmental | 1,534,900 | 20,000 |
| Charges for Services | 832,867 | 5,322,861 |
| Miscellaneous | 923,337 | 67,272 |
| Total | <u>13,187,598</u> | <u>5,519,098</u> |
| Disbursements: | | |
| Public Safety | 2,283,780 | - |
| Public Works | 944,073 | - |
| Culture and Recreation | 1,629,740 | - |
| Community and Economic Development | 523,096 | - |
| General Government | 1,064,815 | - |
| Capital Projects | 3,585,147 | - |
| Debt Service | 1,309,941 | - |
| Business Type Activities | - | 9,236,910 |
| Total Disbursements | <u>11,340,592</u> | <u>9,236,910</u> |
| Excess (deficiency) of receipts over disbursements | 1,847,006 | (3,717,812) |
| Other financing sources net: | | |
| Sale of Assets | 13,841 | - |
| Interfund Transfers In | 5,384,647 | 1,359,213 |
| Interfund Transfers Out | (6,069,226) | (674,634) |
| Total other financing sources net | <u>(670,738)</u> | <u>684,579</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,176,268 | (3,033,233) |
| Balances - beginning of year | (40,070) | 6,653,140 |
| Balances - end of year | <u>\$ 1,136,198</u> | <u>\$ 3,619,907</u> |

| Total Actual | Budgeted Amounts | | Final Budget Favorable (Unfavorable) |
|----------------------|----------------------|----------------------|--------------------------------------------|
| | Original | Final | |
| \$ 4,187,754 | \$ 3,836,292 | \$ 3,836,292 | \$ (351,462) |
| 4,430,261 | 3,842,668 | 3,842,668 | (587,593) |
| 852,445 | 1,305,282 | 1,305,282 | 452,837 |
| 119,235 | 68,050 | 68,050 | (51,185) |
| 415,764 | 345,500 | 363,500 | (52,264) |
| 1,554,900 | 909,921 | 956,921 | (597,979) |
| 36,132,658 | 40,013,750 | 40,276,750 | 4,144,092 |
| 1,231,586 | 364,984 | 466,284 | (765,302) |
| <u>48,924,603</u> | <u>50,686,447</u> | <u>51,115,747</u> | <u>2,191,144</u> |
| 2,283,780 | 2,118,668 | 2,352,668 | 68,888 |
| 944,073 | 906,791 | 956,791 | 12,718 |
| 1,629,740 | 1,499,351 | 1,719,651 | 89,911 |
| 523,096 | 385,582 | 545,582 | 22,486 |
| 1,064,815 | 1,108,210 | 1,192,210 | 127,395 |
| 3,585,147 | 3,725,860 | 3,725,860 | 140,713 |
| 1,309,941 | 1,751,266 | 3,834,616 | 2,524,675 |
| 38,192,439 | 38,818,693 | 41,675,693 | 3,483,254 |
| <u>49,533,031</u> | <u>50,314,421</u> | <u>56,003,071</u> | <u>6,470,040</u> |
| (608,428) | 372,026 | (4,887,324) | 4,278,896 |
| 13,841 | - | - | 13,841 |
| 6,743,860 | 7,375,767 | 7,375,767 | (631,907) |
| <u>(6,743,860)</u> | <u>(7,365,767)</u> | <u>(7,365,767)</u> | <u>621,907</u> |
| <u>13,841</u> | <u>10,000</u> | <u>10,000</u> | <u>3,841</u> |
| (594,587) | 382,026 | (4,877,324) | 4,282,737 |
| 16,264,927 | 16,264,927 | 16,264,927 | - |
| <u>\$ 15,670,340</u> | <u>\$ 16,646,953</u> | <u>\$ 11,387,603</u> | <u>\$ 4,282,737</u> |

CITY OF LE MARS, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

| | Governmental Funds | | |
|------------------------------|---------------------------|----------------------------|-------------------------------|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 13,187,598 | \$ (144,748) | \$ 13,042,850 |
| Expenditures | 11,340,592 | (506,652) | 10,833,940 |
| Net | 1,847,006 | 361,904 | 2,208,910 |
| Other Financing Sources, net | (670,738) | 97,180 | (573,558) |
| Beginning Fund Balance | (40,070) | 1,425,189 | 1,385,119 |
| Ending Fund Balance | <u>\$ 1,136,198</u> | <u>\$ 1,884,273</u> | <u>\$ 3,020,471</u> |

| | Enterprise Funds | | |
|------------------------------|-------------------------|----------------------------|----------------------|
| | Cash Basis | Accrual Adjustments | Accrual Basis |
| Revenues | \$ 5,519,098 | \$ 158,343 | \$ 5,677,441 |
| Expenses | 9,236,910 | (3,688,027) | 5,548,883 |
| Net | (3,717,812) | 3,846,370 | 128,558 |
| Other Financing Sources, net | 684,579 | 413,535 | 1,098,114 |
| Beginning Net Assets | 6,653,140 | 17,349,475 | 24,002,615 |
| Ending Net Assets | <u>\$ 3,619,907</u> | <u>\$ 21,609,380</u> | <u>\$ 25,229,287</u> |

| | Component Unit | | |
|----------------------|-----------------------|----------------------------|----------------------|
| | Cash Basis | Accrual Adjustments | Accrual Basis |
| Revenues | \$ 30,217,907 | \$ (51,665) | \$ 30,166,242 |
| Expenses | 28,955,529 | 758,621 | 29,714,150 |
| Net | 1,262,378 | (810,286) | 452,092 |
| Beginning Net Assets | 9,651,857 | 9,145,346 | 18,797,203 |
| Ending Net Assets | <u>\$ 10,914,235</u> | <u>\$ 8,335,060</u> | <u>\$ 19,249,295</u> |

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$5,688,650. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

CITY OF LE MARS, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

| Required Supplementary Information | | | | | | | |
|------------------------------------|--------------------------|----------------------------------|------------------------------------------|------------------------------|-----------------------|------------------------|------------------------------------------------------|
| Fiscal Year | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
| 2009 | July 1, 2008 | - | \$ 234,941 | \$ 234,941 | 0.00% | \$2,770,000 | 8.5% |
| 2010 | July 1, 2008 | - | \$ 234,941 | \$ 234,941 | 0.00% | \$2,770,000 | 8.5% |
| 2011 | July 1, 2008 | - | \$ 234,941 | \$ 234,941 | 0.00% | \$2,770,000 | 8.5% |

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF LE MARS, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2011

| | Special Revenue Funds | | | | | |
|-------------------------------------------------------------------------|------------------------------|----------------------|----------------------|----------------------------|----------------------------|---------------------------|
| | Westmar University TIF | CDBG Home Fund | CDBG Land Fund | Joint Urban Renewal TIF | Housing Review Board | Police Pension Fund |
| Assets | | | | | | |
| Cash and Pooled Investments | \$ - | \$ 60,719 | \$ 375 | \$ - | \$ - | \$ 6,312 |
| Investments | - | - | - | - | - | - |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | | | | | |
| Accounts | - | - | - | - | - | - |
| Taxes | 2,052 | - | - | - | - | 1,006 |
| Subsequent Year Taxes | 336,051 | - | - | - | - | 213,517 |
| Accrued Interest | - | - | - | - | - | - |
| Special Assessments | - | - | - | - | - | - |
| Notes Receivable | - | - | - | - | - | - |
| Due from Other Governmental Agencies | - | - | - | - | - | - |
| Total Assets | 338,103 | 60,719 | 375 | - | - | 220,835 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | 81 | - | - | - | - | - |
| Due to Other Funds | 507,355 | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - | 63 |
| Deferred Revenue - Subsequent Year Taxes | 336,051 | - | - | - | - | 213,517 |
| Total Liabilities | 843,487 | - | - | - | - | 213,580 |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Notes Receivable | - | - | - | - | - | - |
| Perpetual Care | - | - | - | - | - | - |
| Restricted for: | | | | | | |
| Road Surface Repairs | - | - | - | - | - | - |
| Employee Benefits | - | - | - | - | - | 7,255 |
| Low-Moderate Income Project | - | 60,719 | 375 | - | - | - |
| Law Enforcement | - | - | - | - | - | - |
| Local Option Sales Tax | - | - | - | - | - | - |
| Tree Farm | - | - | - | - | - | - |
| Assigned for: | | | | | | |
| Capital Improvement and Facilities | - | - | - | - | - | - |
| Unassigned | (505,384) | - | - | - | - | - |
| Total Fund Balances (Deficits) | (505,384) | 60,719 | 375 | - | - | 7,255 |
| Total Liabilities and Equity | \$ 338,103 | \$ 60,719 | \$ 375 | \$ - | \$ - | \$ 220,835 |

| Special Revenue Funds | | | | | |
|-----------------------|-----------------|------------------------------|-------------------------------|--------------|---|
| Unemploy- ment | Road Use Tax | Local Option Sales Tax | Special Law Enforcement | Tree Farm | |
| \$ 22,548 | \$ 87,144 | \$ 22,960 | \$ 7,752 | \$ 21,030 | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 103 | - | - | - | - | - |
| 21,952 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 200,000 | - | - | - |
| - | 76,357 | 149,756 | - | - | - |
| 44,603 | 163,501 | 372,716 | 7,752 | 21,030 | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 6 | - | - | - | - | - |
| 21,952 | - | - | - | - | - |
| 21,958 | - | - | - | - | - |
| - | - | 200,000 | - | - | - |
| - | - | - | - | - | - |
| - | 163,501 | - | - | - | - |
| 22,645 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 7,752 | - | - |
| - | - | 172,716 | - | - | - |
| - | - | - | - | 21,030 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 22,645 | 163,501 | 372,716 | 7,752 | 21,030 | |
| \$ 44,603 | \$ 163,501 | \$ 372,716 | \$ 7,752 | \$ 21,030 | |

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2011

| | Capital Project Funds | | | | |
|-------------------------------------------------------------------------|-----------------------|--------------------------------|------------------------|------------------------------------------|----------------------------|
| | Industrial Park | Airport Runway Extension | Street Construction | Public Safety Building Improvement | TIF Capital Projects |
| Assets | | | | | |
| Cash and Pooled Investments | \$ - | \$ 270,791 | \$ - | \$ 85,759 | \$ - |
| Investments | - | - | - | - | - |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | | | | |
| Accounts | 23,353 | - | - | - | - |
| Taxes | - | - | - | - | - |
| Subsequent Year Taxes | - | - | - | - | - |
| Accrued Interest | - | - | 1,808 | - | - |
| Special Assessments | - | - | 1,859 | - | 7,220 |
| Notes Receivable | 206,800 | - | 155,000 | - | - |
| Due from Other Governmental Agencies | 22,597 | 31,445 | - | - | - |
| Total Assets | 252,750 | 302,236 | 158,667 | 85,759 | 7,220 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | 19,546 | 14,708 | - | 21,586 | 4,012 |
| Due to Other Funds | 278,662 | - | 46,081 | - | 4,357 |
| Deferred Revenue | - | - | 156,763 | - | 6,854 |
| Deferred Revenue - Subsequent Year Taxes | - | - | - | - | - |
| Total Liabilities | 298,208 | 14,708 | 202,844 | 21,586 | 15,223 |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Notes Receivable | 206,800 | - | - | - | - |
| Perpetual Care | - | - | - | - | - |
| Restricted for: | | | | | |
| Road Surface Repairs | - | - | - | - | - |
| Employee Benefits | - | - | - | - | - |
| Low-Moderate Income Project | - | - | - | - | - |
| Law Enforcement | - | - | - | - | - |
| Local Option Sales Tax | - | - | - | - | - |
| Tree Farm | - | - | - | - | - |
| Assigned for: | | | | | |
| Capital Improvement and Facilities | - | 287,528 | - | 64,173 | - |
| Unassigned | (252,258) | - | (44,177) | - | (8,003) |
| Total Fund Balances | (45,458) | 287,528 | (44,177) | 64,173 | (8,003) |
| Total Liabilities and Equity | \$ 252,750 | \$ 302,236 | \$ 158,667 | \$ 85,759 | \$ 7,220 |

| Capital Project Funds | | | | Permanent Fund | Total Governmental Nonmajor Funds |
|-----------------------|-------------------|---------------|---------------------------|------------------------------|-----------------------------------|
| Joint Urban Renewal | STP-FHWA Projects | Business Park | Storm Sewer Drainage Imp. | Cemetery Perpetual Care Fund | |
| \$ - | \$ - | \$ - | \$ - | \$ 84 | \$ 585,474 |
| - | - | - | - | 142,351 | 142,351 |
| - | - | - | - | - | 23,353 |
| - | - | - | - | - | 3,161 |
| - | - | - | - | - | 571,520 |
| - | - | - | - | - | 1,808 |
| - | - | - | - | - | 9,079 |
| 532,957 | - | - | - | - | 1,094,757 |
| 8,977 | 84,032 | - | - | - | 373,164 |
| 541,934 | 84,032 | - | - | 142,435 | 2,804,667 |
| 11,238 | 46,399 | 54,853 | - | - | 172,423 |
| 291,831 | 435,695 | 80,775 | 225,645 | - | 1,870,401 |
| - | - | - | - | - | 163,686 |
| - | - | - | - | - | 571,520 |
| 303,069 | 482,094 | 135,628 | 225,645 | - | 2,778,030 |
| 532,957 | - | - | - | - | 939,757 |
| - | - | - | - | 142,435 | 142,435 |
| - | - | - | - | - | 163,501 |
| - | - | - | - | - | 29,900 |
| - | - | - | - | - | 61,094 |
| - | - | - | - | - | 7,752 |
| - | - | - | - | - | 172,716 |
| - | - | - | - | - | 21,030 |
| - | - | - | - | - | 351,701 |
| (294,092) | (398,062) | (135,628) | (225,645) | - | (1,863,249) |
| 238,865 | (398,062) | (135,628) | (225,645) | 142,435 | 26,637 |
| \$ 541,934 | \$ 84,032 | \$ - | \$ - | \$ 142,435 | \$ 2,804,667 |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2011

| | Special Revenue Funds | | | | | |
|---------------------------------------------------|------------------------------|----------------------|----------------------|----------------------------|----------------------------|---------------------------|
| | Westmar University TIF | CDBG Home Fund | CDBG Land Fund | Joint Urban Renewal TIF | Housing Review Board | Police Pension Fund |
| Revenue: | | | | | | |
| Taxes | \$ 304,912 | \$ - | \$ - | \$ 521,722 | \$ - | \$ 172,896 |
| Other Taxes | - | - | - | - | - | - |
| Special Assessments | - | - | - | - | - | - |
| Intergovernmental Revenue | - | - | - | - | - | - |
| Charges for Services | - | - | - | - | - | - |
| Contributions | - | - | - | - | - | - |
| Refunds/Reimbursements | 3 | 3,417 | 3,417 | - | - | - |
| Rental Income | - | - | - | - | - | - |
| Proceeds from Sale of Real Estate | 344 | - | - | - | - | - |
| Interest | - | 620 | 340 | - | - | - |
| Total Revenue | 305,259 | 4,037 | 3,757 | 521,722 | - | 172,896 |
| Expenditures: | | | | | | |
| Public Safety | - | - | - | - | - | 172,728 |
| Public Works | - | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - | - |
| Community and Economic Development | 45,917 | - | - | - | 9 | - |
| General Government | - | - | - | - | - | - |
| Capital Projects | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - |
| Total Expenditures | 45,917 | - | - | - | 9 | 172,728 |
| Excess (deficiency) of revenues over expenditures | 259,342 | 4,037 | 3,757 | 521,722 | (9) | 168 |
| Other financing sources (uses): | | | | | | |
| Transfers In | 39,000 | - | - | - | 68 | - |
| Transfers Out | (176,494) | - | (80,068) | (521,722) | - | - |
| Total other financing sources (uses) | (137,494) | - | (80,068) | (521,722) | 68 | - |
| Net Change in Fund Balance | 121,848 | 4,037 | (76,311) | - | 59 | 168 |
| Fund balances (deficits) -beginning of year | (627,232) | 56,682 | 76,686 | - | (59) | 7,087 |
| Fund balances (deficits) - end of year | \$ (505,384) | \$ 60,719 | \$ 375 | \$ - | \$ - | \$ 7,255 |

(continued)

| Special Revenue Funds | | | | | |
|-----------------------|-----------------|------------------------------|-------------------------------|-----------|--|
| Unemploy- ment | Road Use Tax | Local Option Sales Tax | Special Law Enforcement | Tree Farm | |
| \$ 22,074 | \$ - | \$ - | \$ - | \$ - | |
| - | - | 890,204 | - | - | |
| - | - | - | - | - | |
| - | 930,605 | - | - | - | |
| - | - | - | - | - | |
| - | - | - | 100 | 1,000 | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | 195 | 9 | - | |
| 22,074 | 930,605 | 890,399 | 109 | 1,000 | |
| - | - | - | 2,587 | - | |
| - | 229,658 | - | - | - | |
| - | - | - | - | 4,950 | |
| - | - | 185,349 | - | - | |
| 2,795 | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| 2,795 | 229,658 | 185,349 | 2,587 | 4,950 | |
| 19,279 | 700,947 | 705,050 | (2,478) | (3,950) | |
| - | - | - | - | - | |
| - | (470,000) | (453,878) | - | - | |
| - | (470,000) | (453,878) | - | - | |
| 19,279 | 230,947 | 251,172 | (2,478) | (3,950) | |
| 3,366 | (67,446) | 121,544 | 10,230 | 24,980 | |
| \$ 22,645 | \$ 163,501 | \$ 372,716 | \$ 7,752 | \$ 21,030 | |

(continued)

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2011

| | Capital Project Funds | | | | |
|---------------------------------------------------|-----------------------|--------------------------------|------------------------|------------------------------------------|----------------------------|
| | Industrial Park | Airport Runway Extension | Street Construction | Public Safety Building Improvement | TIF Capital Projects |
| Revenue: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Taxes | - | - | - | - | - |
| Special Assessments | - | - | 2,581 | - | 6,422 |
| Intergovernmental Revenue | - | 132,161 | 7,196 | 41,843 | - |
| Charges for Services | - | - | - | - | - |
| Contributions | - | - | - | - | - |
| Refunds/Reimbursements | 23,354 | - | 3,592 | 4,397 | 216 |
| Rental Income | - | - | - | - | 3,240 |
| Proceeds from Sale of Real Estate | - | - | - | 175 | - |
| Interest | - | - | 7,233 | - | - |
| Total Revenue | 23,354 | 132,161 | 20,602 | 46,415 | 9,878 |
| Expenditures: | | | | | |
| Public Safety | - | - | - | - | - |
| Public Works | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - |
| Community and Economic Development | - | - | - | - | - |
| General Government | - | - | - | - | - |
| Capital Projects | 146,204 | 156,639 | 48,950 | 286,970 | 525,772 |
| Debt Service | - | - | - | - | 20,000 |
| Total Expenditures | 146,204 | 156,639 | 48,950 | 286,970 | 545,772 |
| Excess (deficiency) of revenues over expenditures | (122,850) | (24,478) | (28,348) | (240,555) | (535,894) |
| Other financing sources (uses): | | | | | |
| Transfers In | 83,895 | - | 229,566 | 217,494 | 610,000 |
| Transfers Out | - | - | - | - | - |
| Total other financing sources (uses) | 83,895 | - | 229,566 | 217,494 | 610,000 |
| Net Change in Fund Balance | (38,955) | (24,478) | 201,218 | (23,061) | 74,106 |
| Fund balances (deficits) -beginning of year | (6,503) | 312,006 | (245,395) | 87,234 | (82,109) |
| Fund balances (deficits) - end of year | \$ (45,458) | \$ 287,528 | \$ (44,177) | \$ 64,173 | \$ (8,003) |

| Capital Project Funds | | | | Permanent Fund | Total Governmental Nonmajor Funds |
|-----------------------|-------------------|---------------|---------------------------|------------------------------|-----------------------------------|
| Joint Urban Renewal | STP-FHWA Projects | Business Park | Storm Sewer Drainage Imp. | Cemetery Perpetual Care Fund | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,021,604 |
| - | - | - | - | - | 890,204 |
| - | - | - | 93,708 | - | 102,711 |
| - | 254,032 | - | - | - | 1,365,837 |
| - | - | - | - | 1,680 | 1,680 |
| - | - | - | - | - | 1,100 |
| 81,522 | - | - | 1,698 | - | 121,616 |
| - | - | - | - | - | 3,240 |
| - | - | - | - | - | 519 |
| - | - | - | - | - | 8,397 |
| 81,522 | 254,032 | - | 95,406 | 1,680 | 3,516,908 |
| - | - | - | - | - | 175,315 |
| - | - | - | - | - | 229,658 |
| - | - | - | - | - | 4,950 |
| - | - | - | - | - | 231,275 |
| - | - | - | - | - | 2,795 |
| 432,620 | 741,101 | 101,152 | 57,796 | - | 2,497,204 |
| 50,000 | - | - | - | - | 70,000 |
| 482,620 | 741,101 | 101,152 | 57,796 | - | 3,211,197 |
| (401,098) | (487,069) | (101,152) | 37,610 | 1,680 | 305,711 |
| - | 432,422 | - | 190,000 | - | 1,802,445 |
| - | - | - | - | - | (1,702,162) |
| - | 432,422 | - | 190,000 | - | 100,283 |
| (401,098) | (54,647) | (101,152) | 227,610 | 1,680 | 405,994 |
| 639,963 | (343,415) | (34,476) | (453,255) | 140,755 | (379,357) |
| \$ 238,865 | \$ (398,062) | \$ (135,628) | \$ (225,645) | \$ 142,435 | \$ 26,637 |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Enterprise Nonmajor Funds
JUNE 30, 2011

| | Business Type Activities | | | |
|-------------------------------------------------------------------------|--------------------------|-------------------|-------------------|---------------------|
| | Golf Course | Solid Waste | Storm Sewer | Total |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 18,673 | \$ 262,185 | \$ 9,620 | \$ 290,478 |
| Receivables (Net, where applicable, of allowance for uncollectibles) | | | | |
| Accounts | - | 27,189 | 9,331 | 36,520 |
| Estimated Unbilled Usage | - | 18,484 | 9,318 | 27,802 |
| Prepaid Assets | 1,566 | - | - | 1,566 |
| Total Current Assets | 20,239 | 307,858 | 28,269 | 356,366 |
| Noncurrent Assets: | | | | |
| Land | 290,538 | - | - | 290,538 |
| Construction in Progress | - | - | 32,762 | 32,762 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 2,723,097 | 93,865 | 824,052 | 3,641,014 |
| Total Noncurrent Assets | 3,013,635 | 93,865 | 856,814 | 3,964,314 |
| Total Assets | 3,033,874 | 401,723 | 885,083 | 4,320,680 |
| LIABILITIES | | | | |
| Accounts Payable | 10,220 | 31,169 | 327 | 41,716 |
| Unearned Revenue | 13,050 | - | - | 13,050 |
| Total Current Liabilities | 23,270 | 31,169 | 327 | 54,766 |
| Noncurrent Liabilities: | | | | |
| Due within one year: | | | | |
| Capital Lease | 9,124 | - | - | 9,124 |
| Due in more than one year: | | | | |
| Capital Lease | 45,907 | - | - | 45,907 |
| Total Noncurrent Liabilities | 55,031 | - | - | 55,031 |
| Total Liabilities | 78,301 | 31,169 | 327 | 109,797 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 2,958,604 | 93,865 | 856,814 | 3,909,283 |
| Restricted for: | | | | |
| Unrestricted | (3,031) | 276,689 | 27,942 | 301,600 |
| Total Net Assets | \$ 2,955,573 | \$ 370,554 | \$ 884,756 | \$ 4,210,883 |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2011

| | Business Type Activities | | | |
|---------------------------------------------------------|--------------------------|-------------------|-------------------|---------------------|
| | Golf Course | Solid Waste | Storm Sewer | Total |
| Operating Revenues: | | | | |
| Charges for Services | \$ 337,839 | \$ 617,040 | \$ 206,973 | \$ 1,161,852 |
| Total Operating Revenue | <u>337,839</u> | <u>617,040</u> | <u>206,973</u> | <u>1,161,852</u> |
| Operating Expenses: | | | | |
| Contract Services | 203,737 | 521,722 | - | 725,459 |
| Supplies | 89,635 | 66,675 | - | 156,310 |
| Repairs and Improvements | 24,316 | 5,958 | - | 30,274 |
| Utilities | 13,122 | - | - | 13,122 |
| Miscellaneous | 2,658 | - | - | 2,658 |
| Depreciation | 121,111 | 28,163 | 30,266 | 179,540 |
| Total Operating Expenses | <u>454,579</u> | <u>622,518</u> | <u>30,266</u> | <u>1,107,363</u> |
| Operating Income (Loss) | (116,740) | (5,478) | 176,707 | 54,489 |
| Non-Operating Income: | | | | |
| Refunds and Reimbursements | 5,331 | - | - | 5,331 |
| Revenue from Use of Property | 28,725 | - | - | 28,725 |
| Total Non-Operating Income | <u>34,056</u> | <u>-</u> | <u>-</u> | <u>34,056</u> |
| Income (Loss) before Contributions and Transfers | (82,684) | (5,478) | 176,707 | 88,545 |
| Contributed Capital | - | - | 59,281 | 59,281 |
| Transfers In | 50,000 | - | - | 50,000 |
| Transfers (Out) | <u>(29,266)</u> | <u>(70,000)</u> | <u>(190,000)</u> | <u>(289,266)</u> |
| Change in Net Assets | (61,950) | (75,478) | 45,988 | (91,440) |
| Net Assets - Beginning | <u>3,017,523</u> | <u>446,032</u> | <u>838,768</u> | <u>4,302,323</u> |
| Net Assets - Ending | <u>\$ 2,955,573</u> | <u>\$ 370,554</u> | <u>\$ 884,756</u> | <u>\$ 4,210,883</u> |

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2011

| | Business Type Activities | | | |
|----------------------------------------------------------------------------------------------------|--------------------------|-------------|-------------|--------------|
| | Golf Course | Solid Waste | Storm Sewer | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers | \$ 333,489 | \$ 621,491 | \$ 197,568 | \$ 1,152,548 |
| Cash Paid to Suppliers for Goods and Services | (343,152) | (587,028) | - | (930,180) |
| Other Nonoperating Income | 34,056 | - | - | 34,056 |
| Net Cash Provided by Operating Activities | 24,393 | 34,463 | 197,568 | 256,424 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and Construction of Capital Assets | (84,271) | - | - | (84,271) |
| Net Cash (Used) for Capital and Related Financing Activities | (84,271) | - | - | (84,271) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers (To) Other Funds | 20,734 | (70,000) | (190,000) | (239,266) |
| Net Cash Provided (Used) for Non-Capital Financing Activities | 20,734 | (70,000) | (190,000) | (239,266) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (39,144) | (35,537) | 7,568 | (67,113) |
| Cash and Cash Equivalents at Beginning of Year | 57,817 | 297,722 | 2,052 | 357,591 |
| Cash and Cash Equivalents at End of Year | \$ 18,673 | \$ 262,185 | \$ 9,620 | \$ 290,478 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | | |
| Net Operating Income (Loss) | \$ (116,740) | \$ (5,478) | \$ 176,707 | \$ 54,489 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 121,111 | 28,163 | 30,266 | 179,540 |
| Miscellaneous Non-Operating Income | 34,056 | - | - | 34,056 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | - | 88 | (4,784) | (4,696) |
| Estimated Unbilled Usage | - | 4,363 | (4,892) | (529) |
| Prepaid Expenses | 84 | - | - | 84 |
| Deferred Revenue | (4,350) | - | - | (4,350) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | (9,768) | 7,327 | 271 | (2,170) |
| Total Adjustments | 141,133 | 39,941 | 20,861 | 201,935 |
| Net Cash Provided by Operating Activities | \$ 24,393 | \$ 34,463 | \$ 197,568 | \$ 256,424 |

CITY OF LE MARS, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Fund
For the Year Ended June 30, 2011

| | Balance | | | Balance |
|---------------------------|--------------|-----------|------------|---------------|
| | July 1, 2010 | Additions | Deductions | June 30, 2011 |
| <u>FLEX</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and Cash Equivalents | \$ 9,700 | \$ 39,157 | \$ 39,447 | \$ 9,410 |
| Total Assets | 9,700 | 39,157 | 39,447 | 9,410 |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 9,700 | 39,157 | 39,447 | 9,410 |
| Total Liabilities | \$ 9,700 | \$ 39,157 | \$ 39,447 | \$ 9,410 |

CITY OF LE MARS, IOWA

TABLE I

Principal Taxpayers

| TAXPAYER | TYPE OF BUSINESS | 1/1/09 VALUATIONS FOR TAXES PAYABLE FY 11 | PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE |
|-----------------------------------|------------------------|-------------------------------------------------|--------------------------------------------------|
| WELLS DAIRY, INC. | COMMERICAL DAIRY | \$50,201,098 | 7.48% |
| MID AMERICAN ENERGY | UTILITY COMPANY | 26,746,946 | 3.99% |
| WD 2005 SPE LLC (WELLS CORPORATE) | CORPORATE HEADQUARTERS | 24,551,370 | 3.66% |
| NOR-AM COLD STORAGE INC. | COLD STORAGE FACILITY | 14,697,394 | 2.19% |
| BODEANS BAKING COMPANY | COMMERCIAL BAKERY | 8,399,400 | 1.25% |
| WAL-MART STORES INC. | DISCOUNT RETAIL STORE | 7,370,260 | 1.10% |
| LE MARS PUBLIC STORAGE | COMMERCIAL STORAGE | 4,593,970 | 0.68% |
| STEVE SCHUSTER | COMMERCIAL TRUCKING | 4,587,958 | 0.68% |
| CCS REALTY CO. (CLOVERLEAF) | COLD STORAGE FACILITY | 4,499,390 | 0.67% |
| ILP ONE MASTER, LLC (BEKINS) | COLD STORAGE FACILITY | 4,390,200 | 0.65% |
| TOTAL | | \$150,037,986 | 22.36% |
| ALL OTHERS | | 521,063,663 | 77.64% |
| | | <u>\$ 671,101,649</u> | <u>100.00%</u> |

TABLE II

Computation of Legal Debt Margin

June 30, 2011

| | | |
|--------------------------------------------------------------|--------------------|---------------------|
| 2010-11 ACTUAL VALUATION: | \$671,101,649 | |
| LESS: MILITARY EXEMPTION | (1,020,452) | |
| | <u>670,081,197</u> | |
| DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION | | \$33,504,060 |
| AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT | | |
| GENERAL OBLIGATION DEBT | 9,353,000 | |
| URBAN RENEWAL REVENUE DEBT | 480,000 | |
| * OTHER DEBT | <u>13,442,000</u> | |
| | 23,275,000 | |
| LESS: | | |
| * REVENUE BONDS/NOTES | <u>13,442,000</u> | |
| | 9,833,000 | |
| AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT | <u>1,342,739</u> | |
| TOTAL DEBT APPLICABLE TO DEBT LIMIT | | 8,490,261 |
| LEGAL DEBT MARGIN | | <u>\$25,013,799</u> |

*Includes Floyd Valley Hospital (Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2011

| | |
|---------------------------------------|----------------------|
| Date of Incorporation | 1881 |
| Date City was Platted | 1869 |
| Form of Government | Mayor - Council |
| Population (2010 Census) | 9826 |
| Term of Office: | |
| Mayor | 2 |
| Council Members | 4 |
| City Administrator | appointed by Council |
| Number of Employees: | |
| Regular Full Time | 55 |
| Regular Part Time | 6 |
| Fire | 20 |
| Ambulance | 22 |
| Area in Square Miles | 8.54 |
| Miles of Streets | 70 |
| Percent of Streets Paved | 99% |
| Number of Street Lights | 883 |
| Building Permits 2010-2011 | 145 |
| Total Buidling Permits Less | |
| Demoloition and Moving | 10 |
| New Single and Multi-Family Dwellings | 7 |
| Municipal Water System: | |
| Number of Wells | 6 |
| Number of Fire Hydrants | 613 |
| Number of Customers | 4149 |
| Storage Capacity (Gallons) | 2,500,000 |
| Average Daily Consumption (Gallons) | 2,608,000 |
| Peak Daily Consumption (Gallons) | 5,150,000 |
| Miles of Water Main | 75 |
| Sewer System: | |
| Miles of Sanitary Sewer | 52 |
| Miles of Storm Sewer | 11 |
| Number of Sanitary Sewer Customers | 3,961 |
| Average Daily Sewer Usage (Gallons) | 2,716,933 |
| Peak Load (Gallons) | 4,256,000 |
| Design Flow | 28,000 lbs per day |
| Number of Lift Stations | 8 |
| Number of Treatment Plants | 1 |
| Culture and Recreation: | |
| Number of Parks | 14 |
| Number of Libraries | 1 |
| Number of Volumes | 36,882 |
| Golf Courses (27 Holes) | 1 |
| Swimming Pools | 2 |
| Tennis Courts | 7 |
| Campgrounds | 1 |
| Softball / Baseball Fields | 11 |
| Theatre | 2 |
| Art Center | 1 |
| Recreation Building | 1 |
| Fire Stations | 2 |
| Police Stations | 1 |
| Airports | 1 |
| Convention Center | 1 |

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-11 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response - We will double check these in the future to avoid any missing receivables, payables and capital assets.

Conclusion - Response accepted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-11 - Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- III-B-11 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-C-11 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part III: Other Findings Related to Statutory Reporting (Continued):

III-D-11 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction/Description</u> | <u>Amount</u> | |
|--------------------------------------------------------------------------------------------|--------------------------------|---------------|-----|
| Greg Smidt, City of Le Mars, Police Officer | Labor, Material | \$1,390 | (1) |
| Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee | Supplies | \$5,189.66 | (2) |
| Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann | Plants | \$4,855.99 | (2) |
| Professional Surveying Services, Dave Wilberding, Owner, Planning & Zoning Board Member | Surveying | \$50,544.74 | (3) |
| Schlotfeldt Engineering, Wayne Schlotfeldt Owner, Planning & Zoning Board Member | Surveying | \$16,000.00 | (2) |
| Ludwig, Bruce, Le Mars Broadband Telecommunications Member | Maintenance Contract | \$1,200.00 | (1) |
| Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm | Vehicle Repair | \$2,006.29 | (2) |
| R&R Enterprises Employee, Dale Reichle | Grave work | \$12,550.00 | (2) |
| The Education Station, Owned by Ambulance Employee, John MacGregor | Supplies | \$463.72 | (1) |

- (1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(3)(j) of the code of Iowa.
- (2) This transaction may represent a conflict of interest and the City should contact legal council for determination.
- (3) These transactions may represent a conflict of interest and the City should contact legal council for determination. Per City management it was noted that the City did utilize several other local and regional firms for surveying services.

III-E-11 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

III-F-11 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

III-G-11 - Revenue Bonds - No violations of revenue bond resolutions were noted.

III-H-11 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Le Mars, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated February 13, 2012. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit) which statements reflect total assets of \$27,255,453 and operating revenues of \$29,843,643 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, was based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others with the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
February 13, 2012